

**FISCAL YEAR 2010
MONITORING REPORT ON THE
VOCATIONAL REHABILITATION AND
INDEPENDENT LIVING PROGRAMS
IN THE
COMMONWEALTH OF VIRGINIA**



**U.S. DEPARTMENT OF EDUCATION
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INTRODUCTION AND RSA REVIEW PROCESS

Introduction

Section 107 of the Rehabilitation Act of 1973, as amended (Act), requires the commissioner of the Rehabilitation Services Administration (RSA) to conduct annual reviews and periodic on-site monitoring of programs authorized under Title I of the Act to determine whether a state VR agency is complying substantially with the provisions of its State Plan under section 101 of the Act and with the evaluation standards and performance indicators established under section 106. In addition, the commissioner must assess the degree to which VR agencies are complying with the assurances made in the State Plan Supplement for SE Services under Title VI, Part B, of the Act and the IL programs offered under Title VII of the Act are substantially complying with their respective State Plan assurances and program requirements.

To fulfill its monitoring responsibilities, RSA:

- reviews the state agencies performance in assisting eligible individuals with disabilities to achieve high quality employment and independent living outcomes;
- identifies strengths and challenges related to the agencies performance, areas of consistently high or improved performance and those areas of performance in need of improvement;
- recommends strategies to improve performance;
- requires corrective actions in response to compliance findings; and
- provides TA to the state agencies to enable it to enhance its performance, meet its goals and fulfill its State Plan assurances.

Review Process

Pursuant to the Act, RSA reviewed the performance of the following programs administered by the VA Department of Rehabilitative Services (DRS) and the VA Department for the Blind and (DBVI):

- VR program, established under Title I;
- SE program, established under Title VI, Part B;
- IL program authorized under Title VII, Part B; and
- OIB, established under Title VII, Chapter 2.

In addition, RSA also reviewed the progress of DRS on the agency's Program Improvement Plan (PIP) that resulted from the inability of DRS to meet the minimum performance levels for standards and indicators in FY 2008.

Information Gathering and Review Process Activities

During FY 2010, RSA began its review of DRS and DBVI by analyzing information from a variety of sources, including but not limited to, RSA's various data collections, DRS and DBVI

VR and IL State Plans and State Rehabilitation Council (SRC) Annual Reports. After completing its internal review, the RSA review team:

- engaged in numerous teleconferences and other information gathering activities with representatives of DRS, DBVI, the SRCs, the Statewide Independent Living Council (SILC), the Client Assistance Programs (CAP), and other stakeholders to gain a greater understanding of strengths and challenges related to the administration and performance of the VR, SE, IL, and OIB programs; and
- conducted on-site monitoring visits with DBVI from November 2-6, 2009, and with DRS from December 7-11, 2009, and met with representatives of DRS, DBVI, the SRCs, the SILC, the CAP, and other stakeholders to further gather and analyze information and to provide TA in areas already identified by the review team, DRS and DBVI.

Data Used During the Review

RSA's review began in the fall of 2009, and ended in the summer of 2010. For the purpose of this review, RSA notes that its data collections are finalized and available at different times throughout the year. Consequently, the data collections for the VR and SE programs for the fiscal year that ended immediately preceding that in which the review began (i.e., FY 2009) were not yet available when the review process began. Therefore, this report regarding the VR and SE programs relies primarily on those data collections available for a completed fiscal year prior to the beginning of the review (i.e., FY 2008) as the sources of data describing the performance of DRS and DBVI. However, when FY 2009 data became available toward the end of the review period, and if these data signaled a significantly different level of performance than the previous five year trend, RSA included the FY 2009 data in the report. Regarding the IL and OIB programs, FY 2009 data were available and used as the sources of data describing the performance of DRS and DBVI.

Results of Review Activities

At the conclusion of all monitoring activities, the RSA review team:

- identified performance areas for improvement and recommended that DRS and DBVI undertake specific actions to improve performance;
- identified compliance findings and required DRS and DBVI to take corrective action; and
- determined in collaboration with DRS and DBVI whether RSA would provide TA to improve the agency's performance or correct compliance findings.

Review Team Participants

Members of RSA's VA review team included representatives from each of the five functional units within the State Monitoring and Program Improvement Division. The team included the following individuals: Terry Martin, state liaison (TA Unit); Joe Pepin (Data Collection and Analysis Unit); Regina Luster (Fiscal Unit); Tonya Stellar (VR Unit); Jim Doyle (VR Unit); and Felipe Lulli (IL Unit).

PART I: REVIEW OF THE VA DRS EXECUTIVE SUMMARY

During FY 2010, the RSA reviewed the performance of the following programs authorized by the Act in the Commonwealth of VA:

- VR program, established under Title I;
- SE program, established under Title VI, Part B;
- IL program, authorized under Title VII, Part B; and
- OIB established under Title VII, Chapter 2.

VA Administration of the VR and SE Programs

VA has two separate agencies, DRS the general agency, and DBVI, the separate agency that serves individuals who are blind or vision impaired. While both agencies administratively report to the Secretary for Health and Human Services, each agency is its own designated state agency (DSA). The Secretary of Health and Human Resources oversees 12 state agencies that provide services to Virginians with mental retardation, mental illness, substance abuse, physical disabilities, low income working families, and the aging community.

DRS serves as the DSA and designated state unit (DSU) for the purpose of providing VR and SE services to individuals with disabilities, except those individuals who are blind or visually-impaired. DRS and DBVI are the DSUs for the Part B IL program in VA. DBVI is the DSA and DSU for the purpose of providing VR and SE services to individuals who are blind or vision impaired. In addition, DBVI has responsibility for the administration of the OIB program.

DRS Performance over the Past Five Years

Based on data provided by DRS through various RSA reporting instruments, DRS' employment rate increased from 50.1 percent in FY 2004 to 57.3 percent in FY 2008; the number of new applicants increased from 10,394 in FY 2004 to 11,761 in FY 2008; the number of individuals served under an individualized plan for employment decreased from 7,849 in FY 2004 to 6,996 in FY 2008; and the number of individuals the agency assisted to achieve employment increased from 3,935 to 4,012 for the same period. The average hourly earnings increased from \$9.04 in FY 2004 to \$9.42 in FY 2008 for competitive employment outcomes.

Of those individuals who achieved an employment outcome, the number who achieved SE increased from 839 in FY 2004 to 886 in FY 2008, and these individuals' average hourly earnings increased from \$7.50 in FY 2004 to \$8.11 in FY 2008. The 22 percent of all individuals who achieved SE outcomes remained stable from FY 2004 to FY 2008. DRS assisted a higher percentage of consumers in achieving SE outcomes in FY 2008, at 22.1 percent when compared to the average of 10.9 percent for general agencies and its peer average of 5.7 percent in FY 2008.

The overall percentage of transition-age youths served increased from 25.92 percent FY 2004, to 33.04 percent in FY 2008. The overall number of transition-age youths who achieved employment increased from 1,350 in FY 2004 to 1,642 in FY 2008.

Between FY 2006 and FY 2009, the number of individuals served by DRS' IL program through contracts with non-part C centers for independent living (CILs) increased from 4,930 to 5,633.

Observations of the Agency and Stakeholders

Through the course of the review, agency personnel and stakeholders, such as the SRC and the CAP, shared information concerning the administration and performance of the DRS VR, SE and IL programs. During the review, they made the observations below.

- Increasing partnerships with school personnel was necessary to enhance outreach to students receiving accommodations from the public school system under Section 504 of the Act and the Americans with Disabilities Act (ADA).
- Individuals could benefit from more assistance with benefits planning to assist individuals in understanding how work affects Social Security Administration (SSA) benefits, and the work incentives that are available when individuals return to work.
- Formal training for supervisors, including a standardized protocol to utilize while training field staff, could contribute to more uniform implementation of policies and procedures.
- The consistency of the interpretation of the state-established standard and timeframe for the development of the individualized plan for employment (IPE) could be improved.
- SE outcomes need to be reviewed on a record by record basis to ensure that employment is in an integrated employment setting.
- Training on the Act, extended evaluation (EE), trial work experience (TWE), eligibility determination, IPE development and SE would contribute to effective service delivery and consistent and accurate policy implementation.

Strengths and Challenges

Based on the observations from the agency and its stakeholders and other information gathered through the review process, RSA concluded that DRS exhibited a variety of strengths that enhanced service delivery, and experienced a number of challenges that inhibited its ability to improve the performance of its VR and SE programs.

Strengths

The strengths included a service delivery system that provides long-term extended services to individuals served who achieved a SE outcome through DRS and require Long-Term Employment Support Services (LTESS) funded through a \$5.5 million general state-appropriated fund. In addition, DRS developed an evaluation tool to measure the efficiency and effectiveness of long-term extended services provided by Employment Service Organizations.

DRS has also developed partnerships between transition VR counselors with CILs and utilization of IL services to prepare transition-age youths for post-school activities, including benefits planning, peer counseling, travel training, and housing resources.

Finally, DRS has expanded transitioning programming and increased the number of school districts that offer the Post-Secondary Education Rehabilitation Transition Program (PERT) program from six school districts serving 50 students per year to a statewide program serving approximately 500 students per year. This program is a partnership between DRS and the VA Department of Education designed to provide students with a comprehensive vocational evaluation in the areas of VR, IL, leisure, and social life.

Challenges

DRS' challenges included developing performance measures to evaluate and monitoring SE providers and outcomes across the state to ensure that supported employment outcomes are achieved in integrated and competitive employment settings.

DRS' comprehensive rehabilitation center is challenged in its efforts to effectively serve individuals with complex needs who require multiple support services and remedial services in order to achieve their respective employment goals.

Acknowledgement

RSA wishes to express appreciation to the representatives of the DRS, the SRC, the SILC, the CAP, and the stakeholders who assisted the RSA monitoring team in the review of DRS.

CHAPTER 1: VR AND SE PROGRAMS OF DRS

VR and SE Program Systems

The following sections of this chapter describe the manner in which DRS administers and operates the VR and SE programs through a variety of functions or systems, including service delivery, personnel, case and data management, quality assurance (QA) and planning.

Service Delivery

DRS is comprised of four divisions: Field Rehabilitation Services; Community-Based Rehabilitation Services (CBRS); the Woodrow Wilson Rehabilitation Center (WWRC); and Disability Determination Services. DRS provides services at 39 offices in five administrative regions and is co-located in six one-stops.

Seventy-six ESOs provide SE services, including assessment, work adjustment or vocational training, job development, placement, and job coaching. In FY 2008, DRS received a state appropriation of approximately \$5.5 million for SE services through LTESS. DRS is responsible for the administration and allocation of state-appropriated funds to ESOs to include the monitoring and evaluation of ESO services. All of the ESOs are accredited by the Commission on Accreditation of Rehabilitation Facilities (CARF). Funds are allocated by DRS on a three-year cycle with an agreement that the acceptance of Titles I or VI, Part B funds is an agreement to provide long-term supports even after LTESS funds are expended. In addition, Community Service Boards (CSB) under the VA Department of Behavioral Health and Developmental Services (DBHDS) and the Medicaid waiver program provide support for long-term services. The provision of long-term support through the CSBs is dependent on the allocation of funds to ESOs. Each CSB controls the use of local and state funding.

DRS operates the WWRC, a comprehensive rehabilitation facility located in Staunton, VA. The center provides an array of VR services that include services for youths in transition; neuro-rehabilitation services for persons with neurotrauma, specifically spinal cord injury and traumatic brain injury; assistive technology services; occupational skills training programs; and comprehensive evaluation and assessment services that provide information related to individual medical and vocational service needs.

DRS implemented an order of selection (OOS) beginning in FY 2004, and established four priority categories, including priority category I - an individual with the most significant disability; priority category II - an individual with a significant disability that results in serious functional limitations in two functional capacities; priority category III - an individual with a significant disability that results in a serious functional limitation in one functional capacity; and priority category IV - all other individuals determined eligible for the VR program. DRS increased the number of individuals on the waiting list from 481 in FY 2004 to 1,009 in FY 2008. All categories were closed November, 2008 through May 1, 2009. Only category I was open from May 1, 2009 until October 1, 2009. Categories I and II were open during the period of the on-site activities with all individuals in category I receiving services, and 35 percent of

those in category II receiving services. Approximately 1,000 individuals were on the waiting list at the time of the on-site portion of the FY 2010 monitoring review.

In FY 2008, the largest disability population served through SE services was individuals with cognitive impairments. There are 76 ESOs that provide SE services through fee-for-service contracts. DRS has occasionally used performance-based contracting for placement services and tested the use of milestone contracts for SE. Long-term follow-along or extended services are provided through four funding resources including a general state appropriation of approximately \$5.5 million that DRS allocates to ESOs; support from the 40 local CSBs under the DBHDS; Medicaid waiver funding; and an extended service fund that supports individuals working in day programs and sheltered settings.

DRS has 46 VR counselors dedicated to serving transition-age youths and 82 VR counselors with general and transition-specific case loads serving at least one school division. DRS personnel are assigned to each high school statewide. DRS has an educational services unit (ESU) that is comprised of three staff who lead transition initiatives (one manager and two transition coordinators). These individuals provide on-going training, TA and consultation to VR counselors, agency and school staff. DRS maintains cooperative agreements with the state educational agency (SEA) and local educational agencies (LEA). There are 129 LEA agreements with 132 school divisions (three agreements serve multiple school divisions). DRS has implemented transition initiatives to increase the employment opportunities for youths that include: six Project SEARCH sites that serve students who are 18 years old or older with intellectual disabilities in partnership with an ESO and an employer; the PERT that provides comprehensive evaluation in the areas of VR, IL, leisure, and social skills for students ages 16 to 22 or two and a half years before exiting high school; and the Transition Life Skills Training (LSTP), a nine week transition program at WWRC for students ages 18 to 22 who require intensive pre-employment and independent living skills training.

In FY 2008, DRS' expenditure of \$17,643,426 for purchased services was 23.5 percent of its total expenditures. This amount was lower than the national average of \$32,657,418, or 48 percent of the total expenditures for general agencies. DRS spent \$2,887,317 of its expenditures for purchased services on training or 16.4 percent of its total expenditures, which was substantially less than the national average of \$14,930,465 or 43.3 percent of total expenditures for general agencies in FY 2008.

Personnel

In FY 2010, DRS had 194 VR counselors, 19 vocational evaluators, 23 placement specialists, 82 support technologists, and nine rehabilitation engineers providing VR services. Of the 194 VR counselors, 132 serve transition-age youths, including 46 counselors with dedicated transition case loads, and 82 with general and transition-specific case loads serving at least one school district. In addition to program field staff, DRS has approximately 257 staff at WWRC which includes 28 VR counselors, 17 occupational therapists (OT) and assistive technology (AT) specialists, 11 physical therapists (PT), two medical doctors, 33 medical staff, 24 support staff, 20 maintenance staff, and 95 professional and administrative staff.

All VR counselor vacancies are filled by individuals who meet the education standards of the Commission on Rehabilitation Counselor Certification (CRCC) for rehabilitation counselors (CRC), eligible for the certification exam, or possess the CRC credential. All 194 VR counselors meet the established standard. In addition, all of the regional managers and office managers meet the state-established standard.

DRS reported that approximately 20 percent of the field staff have more than 25 years experience and that approximately 18 percent have over 30 years of experience. DRS estimates that approximately 50 percent of the management staff will be eligible for retirement over the next five years. DRS reported that it experiences an annual turnover rate of approximately six percent.

DRS experiences difficulties in recruitment and retention of qualified VR counselors in the southwest, northern and rural areas of VA, particularly in the far southwest, Winchester, South Boston, Danville, and Martinsville areas. Recruitment and retention are also a significant issue in northern VA as a result of higher paying employment opportunities existing in that part of the state.

DRS has implemented a formal agency workforce plan to ensure that an adequate number of qualified staff are in place to provide services. The plan, updated during FY 2009, includes strategies such as offering paid internships, unpaid practicum and internship experiences. In FY 2009, 19 individuals were paid internships. During the on-site portion of the monitoring review, DRS described recruitment efforts to fill 13 VR counselor vacancies.

All new VR counselors participate in an extensive new counselor skills training program that addresses all aspects of the VR process from referral to closure. New counselors are also expected to participate in additional training programs regarding caseload management, conflict resolution, assistive technology, and job development and placement.

Table 1.1
DRS Personnel Job Categories and Number of Staff in Each Category

Position	Number of Staff
VR Counselor	194
Vocational Evaluator	19
Placement Specialist	23
Support Technologist	82
Rehabilitation Engineers/Fabricator	9
Field Directors/Manager	24
Administration and Program Staff	65
WWRC Staff (delineated below)	257
VR Counselors	28
OT AT Staff	17
PT Staff	11
Medical Staff	35
Maintenance	20
Support Staff	24
Professional and Administrative Staff	95
Total	673

Data and Case Management

During FY 2008, DRS implemented a new case management system that was purchased in FY 2004, and full system utilization began on March 1, 2008. A system upgrade was implemented in FY 2010 that included system enhancements and improved search capabilities.

Training was provided prior to the development and implementation of the new case management system, and new counselors were provided specific training on data input and case recording. In addition, all staff received training in case documentation requirements and processes. Management staff received training on report generation and case management. DRS has dedicated staff that produce monthly reports for DRS management on service record movement, closure, service record activity, and financial activity. Furthermore, the DRS management team utilizes the case management system data to produce on-going performance reports and to conduct ad hoc queries and reports to inform strategic planning development and evaluation.

QA

DRS implemented a service record review system in FY 2008. Prior to FY 2008, managers reviewed service records for their respective staff. The current service record review process is

conducted at the central office level and each VR counselor has seven service records reviewed every other year.

Service record reviews focus on compliance with statutory and regulatory provisions, including performance measures and quality indicators of service provision. Performance measures include the length of time from application to eligibility determination, appropriate use and completion of required forms, appropriate eligibility determination, and fiscal documentation. Quality indicators reviewed include: service provision timelines, documented interaction with consumers, and the association between services delivered and employment outcomes. Service record reviews focus on the entire case management practices and processes from application to closure. The review process also focuses on specific aspects of casework such as determination of service record costs, and service record flow documentation to determine if the appropriate status change coincided with the provision of assessments and services.

Service record reviews are conducted with the utilization of an instrument that assesses items in four domains: preliminary record study leading to eligibility determination; service planning and provision; cost services; and closure. The instrument is supported by the Case Audit Review Manual that describes the methodology for conducting reviews, as well as the supporting documentation for each item of review. The manual is available to all DRS staff.

Counselors are provided with direct feedback following the review. Trend data are provided to management at the local, regional and state office levels to identify and correct systemic issues.

DRS has in place a data tracking system to monitor services provided to individuals by ESOs. A statistical compilation of activity about the number of individuals served, and the employment services provided, is developed and distributed throughout the commonwealth.

Planning

DRS and the SRC conducted a comprehensive statewide needs assessment (CSNA) during FY 2009 and submitted the results of that assessment in Attachment 4.11(a) of the FY 2010 State Plan. DRS is actively engaged with the SRC in planning and is scheduled to conduct the next CSNA in FY 2012.

DRS engages in strategic planning on an on-going basis through the Commissioner's management team. The policy and planning manager works closely with the Commissioner to monitor planning efforts and the implementation of initiatives resulting from the planning process.

DRS is also a part of planning in coordination with other commonwealth government entities. The goals and priorities described in DRS' FY 2010 State Plan are reflected in the agency's commonwealth strategic plan.

In recognition of the importance of maintaining a staff sufficient to provide services efficiently and effectively as well as to address issues related to recruitment, retention, and turnover

described above, DRS also engages in formal workforce planning. The plan addresses significant challenges facing DRS, and defines the goals and action steps necessary to meet the challenges.

VR and SE Program Performance

The following table provides data on the performance of the VR and SE programs administered by DRS in key areas from FY 2004 through FY 2008.

Table 1.2
DRS Program Highlights

Virginia DRS Program Highlights	2004	2005	2006	2007	2008
Total funds expended on VR and SE	\$63,762,644	\$64,261,911	\$72,908,374	\$74,357,584	\$75,023,698
Individuals whose cases were closed with employment outcomes	3,935	3,612	3,921	4,277	4,012
Individuals whose cases were closed without employment outcomes	3,914	3,109	2,994	2,859	2,984
Total number of individuals whose cases were closed after receiving services	7,849	6,721	6,915	7,136	6,996
Employment rate	50.13%	53.74%	56.70%	59.94%	57.35%
Individuals whose cases were closed with SE outcomes	839	763	905	949	886
New applicants per million state population	1,393	1,312	1,425	1,415	1,514
Average cost per employment outcome	\$2,682	\$2,920	\$3,046	\$2,895	\$2,861
Average cost per unsuccessful employment outcome	\$1,591	\$1,766	\$1,695	\$1,472	\$1,584
Average hourly earnings for competitive employment outcomes	\$9.04	\$9.18	\$9.21	\$9.42	\$9.42
Average state hourly earnings	\$19.14	\$20.23	\$20.96	\$21.89	\$22.51
Percent average hourly earnings for competitive employment outcomes to state average hourly earnings	47%	45%	44%	43%	42%
Average hours worked per week for competitive employment outcomes	32.6	32.8	32.2	32.0	31.2
Percent of transition-age served to total served	37.33%	40.41%	39.51%	38.41%	41.30%
Employment rate for transition population served	46.08%	51.55%	57.17%	59.94%	56.84%
Average time between application and closure (in months) for individuals with competitive employment outcomes	21.4	23.0	22.9	20.7	21.6
Performance on Standard 1	Not Met	Not Met	Met	Met	Not Met
Performance on Standard 2	Met	Met	Met	Met	Met

VR/SE Program Performance Observations and Recommendations

As a result of its review activities, RSA identified the performance observations set forth below and recommended that DRS take specific steps to improve the agency's performance associated with each of the observations. Following each set of observations and recommendations DRS identified whether it requests TA to carry out the recommendations.

1. Individuals Served

Observation: WWRC requires a high level of fiscal and staff resources to maintain operation when compared to the number of individuals with disabilities served at the Center. As a result, DRS is serving a lower number of individuals with disabilities when compared to its peers and the national average for general agencies.

- As shown on Table 1.3 below, DRS served fewer individuals as new applicants, applicants per million state population, individuals determined eligible but before the development of an IPE, total number of IPEs developed during the year and individuals in an employment plan receiving services when compared to the national average and peer¹ agencies. In addition, DRS closed significantly fewer service records of individuals who received services under an IPE than the average of its peers and the average of all general agencies.

¹ The general agencies' mean was the computed average of the 24 general agencies. The four general agencies used, based on grant size, for the peer average were: Kentucky, Missouri, New Jersey, and South Carolina. Kentucky, Missouri, and New Jersey were on an OOS during FY 2008, as was DRS.

Table 1.3
DRS Case Status Information for FY 2008 Compared to General and Peer Averages

Case Status Information	DRS 2008	General Agencies Mean	Difference between DRS and General Agencies	Peer Agencies Mean 2008	Difference between DRS and Peers
New applicants during the year	11,761	13,807	-2,046	17,111	-5,350
New applicants per million state population	1,514	2,590	-1,076	3,609	-2,095
Total individuals determined eligible at the end of the period	12,265	14,823	-2,558	18,753	-6,488
Total number of IPEs developed during the year	7,216	7,884	-668	9,433	-2,217
Total individuals in plan receiving services at the end of the period	18,542	20,200	-1,658	25,786	-7,244
Closed with employment after services under an IPE	4,012	4,339	-327	5,591	-1,579
Closed without employment after services under an IPE	2,984	3,086	-102	3,795	-811
Total expenditures	\$75,023,698	\$68,000,946	\$7,022,752	\$69,326,867	\$5,696,831
Total purchased services	\$17,643,426	\$32,657,418	-\$15,013,992	\$30,472,107	-\$12,828,681
Percent of purchased services of expenditures	23.5%	48.0%	-24.5%	44.0%	-20.5%
Total training	\$2,887,317	\$14,930,465	-\$12,043,148	\$20,600,564	-\$17,713,247
Percent of training of purchased services	16.4%	43.3%	-26.9%	67.6%	-51.2%

- In FY 2008, WWRC served 1,838 VR consumers, or 6.0 percent of the 30,807 individuals determined eligible or under an IPE.
- DRS served a total of 6,996 individuals whose service record was closed after receiving services. Of these individuals, 4,012 individuals achieved employment, including 527 individuals who received services at WWRC, or 13 percent of all successful outcomes. The rehabilitation rate for all consumers who received services from WWRC and had their records with DRS closed in FY 2009, was 60.1 percent (870 served, 523 employed) compared to the overall rehabilitation rate for DRS of 51.5 percent.
- In FY 2008, DRS expended \$17,643,426 in purchased services, or 23.5 percent of total expenditures. This is significantly less than the average of general agencies at \$32,657,418 or 48 percent and its peers at \$30,472,107 or 44 percent of total expenditures despite maintaining a higher total expenditure during the fiscal year. Of this amount, DRS expended \$2,887,317 or 16.4 percent of purchased services on training compared to \$14,930,465 for general agencies or 43.3 percent or \$20,600,564 for its peers or 67.6 percent.
- In FY 2008, the total funding for WWRC was \$ 28,395,427, representing the highest amount of all state-operated rehabilitation centers in the nation. However, WWRC utilized only 40

percent, \$ 11,261,099, of Title I, section 110 funds, and an additional \$ 8,902,190 in state funds, all of which was considered as match.

- WWRC currently employs 257 of DRS's 673 staff, or 38 percent of all DRS employees at an annual cost of \$19,197,409.

Recommendation 1: RSA recommends that DRS:

- 1.1 evaluate the reasons for the decline in the number of new applicants, eligibility determinations, IPEs developed and individuals receiving services with DRS and develop strategies to increase individuals requesting services and receiving services by DRS;
- 1.2 evaluate the correlation, if any, between the high amount of resources required to maintain WWRC, the comparatively low amount of purchases and training expenditures and low number of individuals receiving services from DRS; and
- 1.3 develop and implement strategies to increase the number of individuals with disabilities in VA who receive services from DRS that lead to increased quality employment outcomes.

2. Quality Employment Outcomes

Observation: DRS' performance on quality measures for employment outcomes for both the general and transition-age youths populations has declined from FY 2004 to FY 2008, indicating a need for the agency to implement programmatic changes and evaluative tools in order to improve performance.

- From FY 2004 to FY 2008, the average hourly wage at closure for individuals who achieved employment increased \$.38, from \$9.04 in FY 2004 to \$9.42 in FY 2008. During this time period, the national average for general agencies increased \$1.39 for all individuals who achieved an employment outcome, from \$9.57 in FY 2004 to \$10.96 in FY 2008. As a result, the discrepancy between the average hourly wage for DRS' consumers and the national average for general agencies that achieved an employment outcome increased from \$.53 in FY 2004 to \$1.54 in FY 2008, as shown below in Table 1.4.
- Despite the average hourly earnings increase of \$.53 during this five-year period for individuals who achieved an employment outcome, the state's average hourly wage increased \$3.37 from FY 2004 to FY 2008. According to the Bureau of Labor Statistics, VA's average hourly wage increased from \$19.14 in FY 2004 to \$22.51 in FY 2008. As a result, the ratio of average hourly VR wage to the average state hourly wage (as measured by Indicator 1.5) decreased from .472 in FY 2004 to .418 in FY 2008. Subsequently, DRS did not meet the required minimum performance for Indicator 1.5.
- From FY 2004 through FY 2008, of the individuals who achieved competitive employment, the percentage that worked 35 or more hours a week and earned wages equivalent or higher than the level of substantial gainful activity established by SSA declined from 57.6 percent to 49.5 percent. As shown in Table 1.4 below, this performance remained consistently below the performance for all general agencies, and declined from 60.8 percent in FY 2004, to 56.9 percent in FY 2008. This was below the average of its peers, which was 63.6 percent for FY 2008.
- In the area of employer-provided medical benefits, DRS performed below the average of other general VR agencies and its peers. From FY 2004 to FY 2008, the percent of

individuals who exited DRS with an employment outcome and received medical benefits from their employers decreased from 26.6 percent in FY 2004 to 13.3 percent in FY 2008. During this period, the performance of all other general agencies decreased slightly from 28.1 percent in FY 2004, to 27.7 percent in FY 2008. The performance of the average of its peers was significantly higher, which was 25.9 percent for FY 2008.

Table 1.4
DRS Quality of Competitive Employment Outcomes for FY 2004 through FY 2008

Performance Measures for Competitive Employment Outcomes	2004	2005	2006	2007	2008	Change from 2004	Peer Average 2008
Average hourly earnings for competitive employment outcomes							
DRS	\$9.04	\$9.18	\$9.21	\$9.42	\$9.42	\$.38	\$10.55
General agencies	\$9.57	\$9.81	\$10.17	\$10.63	\$10.96	\$1.39	
Closed with competitive employment outcomes at SGA level at 35 or more hours per week							
DRS	2,065	1,929	1,960	2,102	1,837	-11%	3,386
Percent	57.6%	58.0%	54.4%	53.1%	49.5%	-8.1%	60.6%
General agencies	65,007	60,108	58,940	58,270	58,073	-10.7%	
Percent	60.8%	59.5%	58.5%	58.1%	56.9%	-3.9%	
Closed with competitive employment outcomes with employment employer-provided medical insurance							
DRS	955	922	967	927	492	-48.5%	1,446
Percent	26.6%	27.7%	26.8%	23.4%	13.3%	-13.4%	25.9%
General agencies	30,014	28,694	28,033	28,017	28,217	-6.0%	
Percent	28.1%	28.4%	27.8%	27.9%	27.7%	-.4%	

- As shown in Table 1.5 below, DRS spent a substantially smaller amount per outcome when compared to the national average of general agencies from FY 2004 to FY 2008. In FY 2008, DRS expended \$2,860.78 per employment outcome compared to the average amount of \$4,301.44 for all general agencies.

Table 1.5
DRS Average Cost of Purchased Services for Individuals Served
Whose Cases Were Closed for FY 2004 through FY 2008

Employment Types	2004	2005	2006	2007	2008
Average for agency					
Employment outcome	\$2,681.87	\$2,920.07	\$3,045.68	\$2,894.53	\$2,860.78
Without employment outcome	\$1,591.41	\$1,765.71	\$1,694.75	\$1,471.56	\$1,583.79
Competitive employment outcome	\$2,671.58	\$2,909.70	\$3,027.42	\$2,844.46	\$2,841.41
General agencies averages					
Employment outcome	\$3,479.03	\$3,804.73	\$4,058.67	\$4,177.28	\$4,301.44
Without employment outcome	\$2,205.47	\$2,442.74	\$2,563.99	\$2,645.07	\$2,678.65
Competitive employment outcome	\$3,473.49	\$3,789.12	\$4,059.79	\$4,164.61	\$4,294.94

- DRS' average expenditure for each type of outcome decreased from FY 2006 to FY 2008. The average expenditure for an employment outcome decreased from \$3,045.68 in FY 2006 to \$2,860.78 in FY 2008.
- From FY 2004 to FY 2008, DRS' total amount expended on purchased services decreased from \$28,938,855, or 45.4 percent of total expenditures, to \$17,643,426, or 23.5 percent. As shown in Table 1.6 below, the percent expended on purchased services in FY 2008 was significantly less than the national average of 48 percent of total purchased services for general agencies and the average of 44 percent for its peers.

Table 1.6
DRS Purchased Services for Individuals Served Whose Cases
Were Closed for FY 2004 through FY 2008

Employment Types	2004	2005	2006	2007	2008	Peer Average 2008
Total purchased services						
DRS	\$28,938,855	\$13,879,647	\$17,010,368	\$17,744,246	\$17,643,426	\$30,472,107
Percent	45.4%	21.6%	23.3%	23.9%	23.5%	44.0%
General agencies	\$15,561,268	\$14,431,522	\$15,099,924	\$14,755,940	\$16,154,732	
Percent	48.4%	47.8%	46.7%	45.7%	48.0%	
Training expenditures						
DRS	\$4,126,909	\$8,377,689	\$10,184,158	\$11,010,483	\$2,887,317	\$20,600,564
Percent	14.3%	60.4%	59.9%	62.1%	16.4%	52.9%
General agencies	\$12,361,033	\$13,015,842	\$12,823,807	\$11,772,757	\$14,930,465	
Percent	42.3%	43.3%	42.0%	41.3%	43.3%	
Placement expenditures						
DRS	\$3,049	\$2,734	\$4,040	\$1,871	\$0	\$2,970,978
Percent	0.01%	0.02%	0.01%	0.01%	0.00%	7.6%
General agencies	\$1,216,867	\$1,411,209	\$2,474,972	\$2,080,200	\$2,626,694	
Percent	4.2%	4.7%	8.1%	7.3%	7.6%	

- As Table 1.6 above demonstrates, training expenditures decreased from \$4,126,909 in FY 2004, to \$2,887,317 in FY 2008. During this time, expenditures increased from \$8,377,689 in FY 2005, to \$11,010,483 in FY 2007 and decreased in FY 2008. In FY 2008, DRS expended 16.4 percent of its total expenditures on training compared to the national average of 43.3 percent for general agencies, and its peer average of 52.9 peers.
- In FY 2008, DRS reported no expenditures for placement services. From FY 2004 to FY 2007, the total expenditures for placement services fluctuated from \$1,871 to \$4,040. This was significantly less than the national average of \$2,626,694 for FY 2008.
- From FY 2005 to FY 2008, DRS increased the provision of services to individuals who received services and had their service records closed in the following areas: assessment services, college or university training, occupational/vocational training, job search assistance, job placement assistance, and rehabilitation technology. The percent of DRS consumers who received one of the above services remained significantly less than the national average of all general agencies (see Table 1.7 below).
- DRS staff reported utilizing internal staff, including WWRC staff, to provide a number of services. These services included, but were not limited to: vocational guidance and counseling, job search assistance, job placement assistance, vocational evaluations, and career assessments, and AT assessments and training services. Furthermore, DRS reported

that many services provided in-house or through a comparable benefit were not coded in their previous case management system.

Table 1.7
DRS Selected Services Provided for FY 2004 through FY 2008

Services	2004	2005	2006	2007	2008	General Agencies 2008
Total number of individuals served	7,849	6,721	6,915	7,136	6,996	178,194
Assessment services	0	1,853	1,836	1,838	2,295	96,176
Percent	0%	27.6%	26.6%	25.8%	32.8%	54.0%
College or university training	0	316	310	312	344	23,202
Percent	0%	4.7%	4.5%	4.4%	4.9%	13%
Occupational/vocational training	0	289	328	369	361	19,505
Percent	0%	4.3%	4.7%	5.2%	5.2%	10.9%
Job search assistance	0	1	14	459	632	43,746
Percent	0%	0%	.2%	7.7%	9.0%	24.5%
Job placement assistance	2	3	3	2	278	61,149
Percent	0%	0%	0%	0%	4%	34.3%
Rehabilitation technology	383	322	345	361	198	13,389
Percent	4.9%	4.8%	5.0%	5.1%	2.8%	7.5%

Table 1.8
DRS Quality of Competitive Employment Outcomes
for Transition-Age Youths (ages 14-24) for FY 2004 through FY 2008

Performance Measures for Transition Population	2004	2005	2006	2007	2008	Change from 2004	Peer Average 2008
Average hourly earnings for competitive employment outcomes							
DRS	\$8.41	\$8.64	\$8.56	\$8.70	\$8.76	\$0.35	\$9.35
General agencies	\$8.42	\$8.59	\$8.83	\$9.19	\$9.41	\$.99	
Average hours worked per week for competitive employment outcomes							
DRS	33.6	33.1	32.5	32.5	31.6	-2	32.2
General agencies	32.6	32.3	32.1	32.0	31.6	-1	
Closed with competitive employment outcomes at SGA level at 35 or more hours per week							
DRS	759	761	773	836	759	0%	892
Percent	61.0%	58.8%	53.6%	55.0%	50.1%	-10.9%	16.0%
General agencies	17,458	16,945	16,786	16,380	16,543	-5.2%	
Percent	58.2%	56.8%	55.6%	54.7%	53.2%	-5%	
Closed with competitive employment outcomes with employment employer-provided medical insurance							
DRS	354	386	380	387	196	-44.6%	398
Percent	28.5%	29.8%	26.4%	25.4%	12.9%	-15.5%	7.1%
General agencies	8,278	8,269	7,856	7,800	7,819	-5.5%	
Percent	27.6%	27.7%	26.0%	26.1%	25.2%	-2.4%	

- The overall average hourly earnings for transition-age youths who achieved competitive employment increased from \$8.41 in FY 2004 to \$8.76 in FY 2008. Although DRS increased average hourly earnings by \$.35 from FY 2004 to FY 2008, the national averages for general agencies increased \$.99.
- As shown in Table 1.8 above, the average hourly earnings for DRS transition-age youths (\$8.76) was significantly lower than the average hourly earnings of all general agencies at \$9.41, and the average of its peers, which was \$9.35 for FY 2008.
- From FY 2004 to FY 2008, the percent of transition-age youths who achieved competitive employment with 35 or more hours per week and earned wages at SGA level significantly decreased from 61 percent to 50.1 percent. As shown in Table 1.8 above, this percent remained below the national average for all general agencies, which was 53.2 percent and the average of its peers, which was 56.7 percent for FY 2008.
- The percent of transition-age youths who achieved competitive employment with employer-provided medical insurance declined during the past five years, from 28.5 percent in FY 2004

to 12.9 percent in FY 2008. This percentage was less than half of the national average for general agencies in FY 2008 at 25.2 percent and its peers, which was 25.3 percent.

- According to RSA-911, the number of transition-age youths who exited with an employment outcome increased from 1,350 individuals in FY 2004 to 1,642 in FY 2008, while the number of transition-age youths who exited without an employment outcome after receiving services decreased from 1,580 individuals in FY 2004 to 1,247 in FY 2008. However, the percent of transition-age youths who exited without an employment outcome after receiving services increased from 26.9 percent in FY 2007 to 30.2 percent in FY 2008.
- Since FY 2006, the average cost per outcome for transition-age youths who received services through DRS declined significantly. As shown in Table 1.9 below, DRS expended an average of \$3,445.09 per employment outcome in FY 2006, and \$2,833.09 per employment outcome in FY 2008. In comparison, the average for all general agencies was \$4,796.85 per employment outcome in FY 2008, or 69.3 percent more than DRS.

Table 1.9
DRS Transition-age Youths Average Cost of Purchased Services for
Individuals Served Whose Cases Were Closed for FY 2004 through FY 2008

Employment Types	2004	2005	2006	2007	2008
Average for agency					
Employment outcome	\$2,522.22	\$2,941.09	\$3,455.09	\$2,986.28	\$2,833.09
Without employment outcome	\$1,212.78	\$1,363.69	\$1,339.88	\$1,282.09	\$1,323.64
Competitive employment outcome	\$2,498.07	\$3,004.19	\$3,380.99	\$2,988.00	\$2,849.80
General agencies averages					
Employment outcome	\$3,906.79	\$4,269.15	\$4,552.17	\$4,759.62	\$4,796.85
Without employment outcome	\$1,970.47	\$2,187.74	\$2,382.58	\$2,518.64	\$2,489.94
Competitive employment outcome	\$3,921.24	\$4,275.87	\$4,549.53	\$4,753.58	\$4,784.80

- As demonstrated in Table 1.10 below, DRS reported an increase in the provision of specific services for transition-age youths from FY 2005 to FY 2008. However, in FY 2008, DRS provided or purchased a significantly lower percentage of the following services to transition-age youths when compared to the average of general agencies: assessment services, diagnosis and treatment of impairments, college or university training, occupational/vocational training, job search assistance, job placement assistance, and rehabilitation technology.
- DRS does not incorporate measures to effectively track the quality of employment outcomes as part of its performance evaluations for staff or its QA program, whereas it does incorporate measures related to the quantity of employment outcomes into VR counselor evaluations and its QA program. VR counselors are reviewed on production, timeliness and customer service. In addition, the DRS auditors, supervisors and district managers regularly assess the degree to which VR counselors are meeting established performance targets for each office.

- DRS does not systematically use the average number of hours worked in a week, the percentage of individuals who earn a wage determined by SSA to be substantial gainful activity, and the percentage of individuals who receive medical benefits from their employer as part of its QA and internal performance evaluation systems.

Table 1.10
DRS Selected Services Provided to Transition-age Youths from FY 2004 through FY 2008

Services	2004	2005	2006	2007	2008	General Agencies 2008
Total Number of Served Individuals	2,930	2,716	2,732	2,741	2,889	56,801
Assessment Services	0	531	470	496	1,074	32,184
Percent	0%	19.6%	17.2%	18.1%	37.2%	56.7%
Diagnosis and Treatment of Impairments	0	562	581	551	539	17,998
Percent	0%	20.7%	21.3%	20.1%	18.7%	31.7%
College or University Training	0	134	119	112	165	11,514
Percent	0%	4.9%	4.4%	4.1%	5.7%	20.3%
Occupational/Vocational Training	0	80	81	79	119	6,896
Percent	0%	2.9%	3.0%	2.9%	4.1%	12.1%
Job Search Assistance	0	0	3	137	253	14,213
Percent	0%	0%	0%	5%	8.8%	25%
Job Placement Assistance	0	1	0	0	141	19,340
Percent	0%	0%	0%	0%	4.9%	34.0%
Rehabilitation Technology	72	66	66	53	36	1,899
Percent	2.5%	2.4%	2.4%	1.9%	1.2%	3.3%

Recommendation 2: RSA recommends that DRS:

- 2.1 develop and implement measurable goals to evaluate the staff and the agency's performance, including the hourly wage, average hours worked per week, and employer-provided benefits, along with strategies to achieve these goals;
- 2.2 develop and implement strategies to increase wage levels for the consumers served by the agency through the exploration of relevant training and education to increase wages and expand partnerships with employers throughout the state;
- 2.3 analyze the decline in the number of individuals who achieved employment outcomes and the employment rate to determine the reasons underlying the decline in these respective performance measures;
- 2.4 analyze and evaluate the expenditures for employment and competitive employment outcomes and purchased services to determine how the provision of services, including education or training, can determine the quality of employment outcomes;

- 2.5 analyze how data are coded to effectively report the services provided through WWRC, DRS staff and ESOs to improve the efficiency and effectiveness of the VR program through accurate and appropriate analyses; and
- 2.6 implement strategies derived from the previous recommendations to increase the quality and quantity of employment outcomes for individuals with disabilities served through DRS.

3. Evaluating and Improving ESO Services

Observation: DRS would benefit from quality and quantifiable performance measures or indicators to evaluate and monitor SE providers, in addition to the CARF accreditation requirements. Currently, there is not a systematic plan in place to evaluate SE services provided and outcomes achieved to determine if ESO programming resulted in competitive, integrated and quality SE outcomes. As a result, DRS has been unable to assess provider performance and evaluate if current purchased services and contracting procedures are meeting the needs of individuals with disabilities and yielding DRS' expected outcomes.

- There are approximately seventy-six ESOs that provide SE services to DRS customers such as assessments, work adjustment or vocational training, job development, placement and coaching through a memorandum of understanding.
- The majority of DRS' current contracts are based on a fee-for-service structure, through which the ESOs are paid an hourly rate for the services they provide. However, DRS has utilized performance-based contracting for placement services and piloted the use of milestone contracts for SE.
- DRS does not maintain a database to track the quality of services and performance outcomes of ESOs to evaluate the effectiveness and efficiency of services provided to individuals with disabilities.
- DRS has established performance measures for services funded by the LTESS to include, but not limited to, average hours and days worked per month; average wages earned per month and per hour; and the level of productivity per month and monthly totals billed for services. In addition, the evaluation of LTESS follow-along services includes, but is not limited to, the following: expenditures, performance statistics, cost per year for enclaves, off-site and on-site placements, and transportation.

Recommendation 3: RSA recommends that DRS:

- 3.1 review data and other information related to the DRS' current contracting methods to determine which method (fee-for-service or performance-based contracting) promotes greater performance and accountability of ESOs;
- 3.2 evaluate the measures or indicators utilized to assess the performance of ESOs providing services through LTESS funding to determine which indicators would be beneficial in monitoring SE services provided through Titles I and VI Part B;
- 3.3 continue to pursue the development of an evaluation tool that employs common measures or indicators that assess the performance of ESOs and develop strategies to improve the accountability of ESOs regarding the quality and quantity of SE outcomes achieved;

- 3.4 provide the evaluations of ESO performance to ESOs, VR customers and counselors to improve the accountability and quality of services and employment outcomes provided by ESOs and DRS; and
- 3.5 develop and implement processes to utilize evaluation results in identifying training and TA needs of ESOs, and informing DRS contracting decisions.

4. Training on Policies and Procedures

Observation: DRS does not have a formal policy training or a standardized protocol for the implementation of policies and staff training for management and agency staff. As a result, DRS' training procedures are not standardized and policies are interpreted inconsistently across the Commonwealth which effect DRS' ability to deliver consistent services, operate the case management system and improve the quality and quantity of employment outcomes.

- Policy directives and updates are e-mailed to all agency staff by DRS management staff. The level of training related to policy directives varied from office to office and is provided by field office supervisors. In addition, if policy revisions are deemed to be significant changes in procedure, central office staff will provide training to staff in each region.
- DRS staff communicated that there is a need for formal policy training and a standardized protocol for training on the implementation of policies, procedures and the case management system. Staff and stakeholders reported that policies are interpreted and implemented inconsistently across the state.
- Although DRS offers on-line refresher courses to all staff based on assistive technology, extended evaluation, trial work experiences (TWE), the eligibility determination process and job placement, staff awareness of the courses varied across the regions.
- Staff and stakeholders reported the need for training in the following policy and procedural areas: the Act; basic medical terminology; assessing criminal records; TWE; IPE development timeline and reflection/coding of comparable services on the IPE; the RSA-13; annual review reports; development of authorizations in the case management system and utilization of case management reports, including access to budget reports on all staff levels; and the definition of integrated settings.

Recommendation 4: RSA recommends that DRS:

- 4.1 develop and implement a formal training protocol for field office supervisors to provide consistent guidance, training and interpretation of policies and procedures across field offices;
- 4.2 develop and implement a strategy to assess staff needs for training in specific content areas and develop a training plan for and training on policies and procedures available to all staff responsible for implementation; and
- 4.3 evaluate the dissemination of and participation in refresher courses to determine if staff are aware of and participating in training opportunities, as needed, within the agency and implement a system or strategy to market refresher courses and increase awareness of training opportunities for all staff.

VR/SE Program Compliance Findings and Corrective Actions

As a result of its review activities, RSA identified the following compliance findings and corrective actions that DRS is required to undertake. DRS must develop a corrective action plan for RSA's review and approval that includes specific steps the agency will take to complete the corrective action, the timetable for completing those steps, and the methods the agency will use to evaluate whether the compliance finding has been resolved. RSA anticipates that the corrective action plan can be developed within 45 days from the issuance of this report and is available to provide technical assistance to assist the agency in the development of the plan and the implementation of the corrective actions. RSA reserves the right to pursue enforcement action, including the recovery of Title I VR funds, pursuant to 34 CFR 80.43 and 34 CFR part 81 of the Education Department General Administrative Regulations (EDGAR).

1. Providing Services to Individuals Who Do Not Meet the State's OOS

Legal Requirements:

34 CFR 361.36(a)(3)(iv) states:

- (3) If the designated State unit is unable to provide the full range [of] vocational rehabilitation services to all eligible individuals in the State who apply for the services, the State plan must –
 - (iv) Assure that --
 - (A) In accordance with criteria established by the state for the [OOS], individuals with the most significant disabilities will be selected first for the provision of vocational rehabilitation services; and
 - (B) Individuals who do not meet the [OOS] criteria will have access to services provided through the information and referral system established under §361.37.

34 CFR 361.37(a)(1) states:

(a) *General provisions.* The State plan must assure that—

- (1) The designated State agency will implement an information and referral system adequate to ensure that individuals with disabilities, including eligible individuals who do not meet the agency's [OOS] criteria for receiving vocational rehabilitation services if the agency is operating on an [OOS], are provided accurate vocational rehabilitation information and guidance (which may include counseling and referral for job placement) using appropriate modes of communication to assist them in preparing for, securing, retaining, or regaining employment.

Finding 1: DRS is not in compliance with 34 CFR 361.36(a)(3)(iv) and 34 CFR 361.37, because it provides services beyond those permitted as information and referral services for eligible individuals with disabilities who do not meet the State's OOS criteria.

According to its FY 2011 VR State plan, the most recent plan approved by RSA, DRS has reported that it does not have the staff or financial resources to provide the full range of VR services permitted under section 103(a) of the Rehabilitation Act and 34 CFR 361.48 to all eligible individuals. As a result, DRS implemented an OOS, as required by 34 CFR 361.36(a)(1), whereby it gives priority of services to individuals with the most significant disabilities. Eligible individuals who do not meet the State's OOS are placed on a waiting list until financial resources are sufficient to provide the full range of services to them. According to previously submitted VR State plans, DRS has operated under an OOS since FY 2004 and has indicated such in the State plan for each year since then.

While on-site, RSA examined DRS' implementation of the OOS, which established four priority categories, including:

- I. an individual with the most significant disability;
- II. an individual with a significant disability that results in serious functional limitations in two functional capacities;
- III. an individual with a significant disability that results in a serious functional limitation in one functional capacity; and
- IV. all other individuals determined eligible for the VR program.

According to the agency's RSA-113 reports, DRS increased the total number of individuals on the OOS waiting list – individuals determined eligible for services but who did not meet the OOS criteria for receipt of VR services at the time -- from 946 in FY 2004 to 3,564 in FY 2009.

During the monitoring process, RSA learned that all four categories, described above, were closed from November 2008 through May 1, 2009. Category I was re-opened on May 1, 2009, and Category II was re-opened on October 1, 2009. At the time of the review, Categories III and IV remained closed, and eligible individuals placed in those categories remained on the waiting list. Due to a lack of sufficient fiscal resources, DRS reported to the on-site monitoring review team that it anticipates it will continue to operate under an OOS for the foreseeable future.

While on-site, the RSA review team conducted interviews with DRS staff located in the field and central offices, in addition to agency stakeholders. DRS staff communicated to RSA that they do not have adequate time to provide services to eligible individuals in Categories I and II – the only OOS categories open for receipt of the full range of VR services -- due to the amount of time they spend, per DRS guidance, providing information and referral services, as identified by DRS, to eligible individuals on the waiting list – e.g., those placed in Categories III and IV. According to the DRS staff interviewed, DRS permits eligible individuals who do not meet the State's OOS criteria for the open categories to utilize DRS' resource centers and job clubs for certain no-cost services, such as resume writing and job application services and interviewing skill development. However, RSA also learned, while on-site, that DRS permits eligible individuals who do not meet the State's OOS criteria to participate in other more extensive services, such as multiple-day evaluations and PERT services at the WWRC, a residential rehabilitation facility, and job search and placement services. DRS considers all of these services to be no-cost services because they are not purchased from vendors, but rather provided by the agency's own staff and resources.

While operating under an OOS, DRS must assure in its State plan that eligible individuals who do not meet the State's OOS criteria will have access to services delivered through the information and referral system established pursuant to 34 CFR 361.37 (34 CFR 361.36(a)(3)(iv)(B)). In its State plan, DRS must assure that it has implemented an information and referral system adequate to ensure that eligible individuals who do not meet the State's OOS criteria are provided accurate VR information and guidance, which may include counseling and job placement referrals (34 CFR 361.37(a)(1)). DRS also must assure that it will refer these individuals to other appropriate State and Federal programs, including other components of the State workforce development system (34 CFR 361.37(a)(2)). While the regulations do not specify the services that may or may not be provided under the State's information and referral system for eligible individuals who do not meet the State's OOS criteria, regulatory history provides some guidance. Prior to the implementation of these requirements in the regulations, some States had asked whether it was permissible to provide limited no-cost services as part of the information and referral system implemented pursuant to 34 CFR 361.37(a)(1).

In response to public comments, the Secretary proposes to address this concern by amending the regulations to authorize any State unit that has implemented an order of selection to establish an expanded information and referral program that includes the provision of job referral services to eligible individuals who are not being served under a State unit's order of selection, provided that certain State plan requirements are met. These requirements include...an assurance that, in carrying out this program, **the State unit will not use case services funds that are needed to provide VR services to eligible individuals who are able to be served under the State unit's order of selection** (emphasis added) (Notice of Proposed Rulemaking (NPRM), 60 Fed. Reg. 64475, 64486 (Dec. 15, 1995)).

The Secretary agrees that it is appropriate to provide counseling and guidance services under the expanded referral program. Authorization of these services further distinguishes the expanded program from the general information and referral functions performed by the DSU for any individual with a disability (Final VR Regulations, 62 Fed. Reg. 6307, 6322 (Feb. 11, 1997)).

In authorizing the States to carry out these functions, the Secretary made it clear that this authority was consistent with the requirements in the Rehabilitation Act **"as long as the DSU, in carrying out the expanded program, does not use funds needed to provide VR services to eligible individuals who are able to be served under the State unit's order of selection"** (emphasis added) (*Id.*). The Secretary understood that a DSU will need "to expend a limited level of resources (e.g., staff time and equipment) in support of its referral program," but this is permitted **"only to [the] extent that the staff person [or equipment] is not needed to provide VR services to eligible individuals who qualify for services"** (emphasis added) (*Id.*).

In this case, DRS expends a substantial amount of resources, both in terms of staff time and facility use, to conduct multiple-day evaluations and provide PERT services at the WWRC, a residential rehabilitation facility, to eligible individuals who do not meet the State's OOS criteria. Similarly, DRS expends a substantial amount of staff time to provide job search and job placement services to this population. The VR regulations permit DRS to provide referrals for

job placement to this population, but not the actual job search and placement services that it currently provides (34 CFR 361.37(a)(1)). Those services are limited to individuals with disabilities who satisfy the OOS criteria and are eligible to receive the full range of VR services provided by the agency. Furthermore, as the regulatory guidance makes clear, DRS is permitted to provide expanded information and referral services so long as those services are limited in scope and resources so as to ensure they do not reduce the services or resources available to eligible individuals who meet the State's OOS criteria. As stated above, field office staff expressed concerns that the time spent providing these services to individuals in closed Categories III and IV diminishes the availability of staff time and resources to serve persons with most significant disabilities. These residential-based services and job search and placement services, which by their very nature are extensive and labor intensive, do not constitute an information or referral service required by 34 CFR 361.37(a) and described in regulatory history. DRS' provision of these services to individuals who do not meet the State's OOS criteria is not permitted under the VR program. Therefore, DRS has failed to comply with 34 CFR 361.36(a)(3)(iv) and 34 CFR 361.37.

DRS' practice of routinely providing services, such as resume writing and job application services and interviewing skill development, to eligible individuals who do not meet the State's OOS criteria is too broad to be consistent with the requirements of 34 CFR 361.36(a)(3)(iv) and 34 CFR 361.37. Under some circumstances, these services could be considered no-cost counseling and guidance services permitted under 34 CFR 361.37(a); however, the implementation of these services in other circumstances could go beyond the scope of 34 CFR 361.37. DRS must ensure that the provision of these services to eligible individuals who do not meet the State's OOS criteria does not take away staff, financial, and equipment resources needed for the provision of VR services to individuals who meet the State's OOS criteria (Final VR Regulations, 62 Fed. Reg. 6307, 6322 (Feb. 11, 1997)). DRS must ensure that individuals with the most significant disabilities who satisfy the State's OOS criteria have priority in terms of the use of all available resources.

Corrective Action 1: DRS must:

- 1.1 cease providing multiple-day evaluations and PERT services at the WWRC to eligible individuals who do not meet the State's OOS criteria, since those services do not constitute information and referral services pursuant to 34 CFR 361.37(a);
- 1.2 cease providing job search and job placement services to eligible individuals who do not meet the State's OOS criteria, because these services go beyond the scope of an information and referral system required by 34 CFR 361.37(a);
- 1.3 determine on a case-by-case basis whether the provision of guidance such as resume writing, job applications, and interviewing skills development, will take staff resources that are needed to provide VR services to individuals who satisfy the State's OOS criteria; and
- 1.4 submit a written assurance within 10 days of the issuance of the final monitoring report that DRS will comply with the requirements of 34 CFR 361.36(a) and 34 CFR 361.37, especially in terms of the provision of information and referral services to eligible individuals who do not satisfy the State's OOS; DRS also must assure that the expenditure of resources for these services will not reduce the amount of resources available to eligible individuals who meet the State's OOS criteria.

2. Provision of Stipends for Unpaid Work and Training Experiences

Legal Requirements:

34 CFR 361.3 states:

The Secretary makes payments to a State to assist in--

- (a) The costs of providing vocational rehabilitation services under the State plan; and
- (b) Administrative costs under the State plan.

34 CFR 361.5(b)(35) states:

Maintenance means monetary support provided to an individual for expenses, such as food, shelter, and clothing, that are in excess of the normal expenses of the individual and that are necessitated by the individual's participation in an assessment for determining eligibility and vocational rehabilitation needs or the individual's receipt of vocational rehabilitation services under an [IPE].

34 CFR 361.48 states:

As appropriate to the vocational rehabilitation needs of each individual and consistent with each individual's informed choice, the designated State unit must ensure that the following vocational rehabilitation services are available to assist the individual with a disability in preparing for, securing, retaining, or regaining an employment outcome that is consistent with the individual's strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice:

- (t) Other goods and services determined necessary for the individual with a disability to achieve an employment outcome.

34 CFR 80.22(a) states:

Limitation on use of funds. Grant funds may be used only for:

- (1) The allowable costs of the grantees, subgrantees and cost-type contractors, including allowable costs in the form of payments to fixed-price contractors; and
- (2) Reasonable fees or profit to cost-type contractors but not any fee or profit (or other increment above allowable costs) to the grantee or subgrantee.

2 CFR part 225 (formerly known as OMB Circular A-87), Appendix A, paragraph C, in pertinent part, states:

C.1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

- a. Be necessary and reasonable for proper and efficient performance and administration of Federal Awards...

3.a. A cost is allocable to a particular cost objective if the goods and services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

Finding 2: According to DRS' Policy and Procedure Manual, Chapter 8.19 *Training, Policy 1, Training in the Workplace Services, C. Maximum allowed for training in workplace services, C.2. Maximum allowed for unpaid work experiences*, DRS counselors may authorize up to \$2.70 an hour (maximum \$108 per week) to be paid to the individual for their participation in a situational assessment for a specified period of time for the purpose of assessing work skills, capacity, and tolerance, or for their participation in an unpaid work experience period for the purpose of obtaining work skills. The stipend paid by DRS is not intended to be provided as a wage, but rather a reimbursement of expenses incurred while participating in an assessment or training program. Worksites are established with private sector employers and nonprofit providers that have fee-for-service contracts with DRS.

Pursuant to 34 CFR 80.22(a) of EDGAR, Federal VR funds must be used solely for allowable program purposes. The VR program requires that Title I VR funds be used solely for the provision of VR services and the administration of the VR program (34 CFR 361.3). VR services for individuals are those services, listed on the individual's IPE, that are necessary for the individual to achieve an employment outcome (34 CFR 361.48). Allowable services include assessments, trainings, evaluations, maintenance, and any other goods or services necessary for the individual to achieve an employment outcome. Administrative costs, on the other hand, are those expenditures incurred during the administration of the VR program (34 CFR 361.5(b)(2)). The assessments and work experience trainings provided by DRS constitute allowable VR services in accordance with 34 CFR 361.3 and 34 CFR 361.48, so long as the relevant services are specified on the individual's IPE.

Although the underlying services -- e.g., assessments and work experience trainings -- are allowable under the VR program, the issue of paying stipends to individuals for participating in such services requires its own analysis. While the list of services outlined at 34 CFR 361.48 is not exhaustive, the regulations make it clear that the services must be those that are necessary for the individual to achieve his or her employment outcome. In this case, DRS' policy manual states that the \$2.70 per hour stipend is intended to reimburse individuals for expenses incurred while participating in the assessment or training program. If the purpose of these payments is to reimburse individuals for excess personal expenditures incurred, DRS is authorized to provide maintenance payments, as defined at 34 CFR 361.5(b)(35). Maintenance payments could cover excess expenditures incurred by the individual while participating in the training or assessment program, such as those for transportation, meals, clothing, etc. (*Id.*). To be allowable under the VR program, reimbursements for maintenance expenses must be based on the actual expenses incurred by the individual (34 CFR 361.3, 34 CFR 80.22(a), and the Federal cost principles at 2 CFR part 225, Appendix A, paragraph C). Therefore, DRS' flat fee reimbursement of \$2.70 per hour for each individual, regardless of the actual expenses incurred by that individual, is neither necessary nor reasonable and, therefore, is not allowable under the VR program as a maintenance payment (34 CFR 361.3, 34 CFR 361.5(b)(35), 34 CFR 80.22(a), and the Federal cost principles at 2 CFR part 225, Appendix A). In the alternative, DRS is permitted to provide paid work experiences for those consumers for whom it is determined a necessary service to achieve an employment outcome and is specified as such on the individual's IPE. However, DRS' policy manual makes it clear that the affected individuals are participating in either unpaid situational assessments or unpaid work experiences --- not paid work experiences. Paying an individual a flat fee of \$2.70 per hour, simply for participating in a VR program as DRS currently does, is

neither necessary nor reasonable and, therefore, is not allowable under the VR program (34 CFR 361.3, 34 CFR 80.22, and 2 CFR part 225, Appendix A, paragraph C).

Corrective Action 2: DRS must:

- 2.1 cease providing stipends to individuals participating in situational assessments and unpaid work experiences, as the DRS policy manual currently permits;
- 2.2 determine whether DRS intends to provide maintenance payments, as defined at 34 CFR 361.5(b)(35), in accordance with 34 CFR 361.48(g) to individuals for excess expenditures incurred while participating in the VR program. If DRS intends to do so, DRS must ensure that the payments are only for those expenditures that would satisfy the definition of maintenance and are based on actual expenses incurred, not a generalized flat fee amount;
- 2.3 determine whether DRS intends to provide paid work experiences for individuals for whom the service is deemed necessary to achieve an employment outcome and is specified as such on the individual's IPE. If DRS intends to do so, it must ensure that the individual's IPE lists paid work experience as a necessary service for the achievement of an employment outcome;
- 2.4 submit a written assurance to RSA within 10 days of the issuance of the final monitoring report that it will comply with the requirements of 34 CFR 361.3, 34 CFR 361.5(b)(35), 34 CFR 361.48, 34 CFR 80.22, and the Federal cost principles at 2 CFR part 225, especially with regard to payments made to individuals;
- 2.5 revise policies, as required by 34 CFR 361.50, to ensure that maintenance allowances or stipends for paid work experiences, whichever is relevant, paid by DRS to consumers are consistent with the requirements of 34 CFR 361.3, 34 CFR 361.5(b)(35), 34 CFR 361.48, 34 CFR 80.22(a), and 2 CFR part 225, Appendix A; and
- 2.6 submit copies of revised policies to demonstrate completion of the above corrective action.

3. Failure to Report SE Outcomes Properly.

Legal Requirements:

34 CFR 361.5(b), in pertinent part, states:

- (11) *Competitive employment* means work –
 - (i) In the competitive labor market that is performed on a full-time or part-time basis in an integrated setting; and
 - (ii) For which the individual is compensated at or above the minimum wage, but not less than the customary wage and level of benefits paid by the employer for the same or similar work performed by individuals who are not disabled.

- (53) *Supported employment* means –
 - (i) Competitive employment in an integrated setting, or employment in an integrated work setting in which individuals are working toward competitive employment...with ongoing support services for individuals with the most significant disabilities.

34 CFR 361.12 requires that:

The State plan must assure that the State agency, and the designated State unit if applicable, employs methods of administration found necessary by the Secretary for the proper and efficient administration of the plan and for carrying out all functions for which the State is responsible under the plan and this part. These methods must include procedures to ensure accurate data collection and financial accountability.

34 CFR 80.20(a)(1) requires that:

A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State... must be sufficient to:

(1) Permit preparation of reports required by this part and the statutes authorizing the grant.

Finding 3: DRS has failed to comply with 34 CFR 361.12 and 34 CFR 80.20(a), because it reports individuals as having achieved competitive employment outcomes even though those individuals are making sub-minimum wage in SE settings. In addition, there is no evidence that the individuals placed in SE are working toward earning at least minimum wage, as required by the definition of SE at 34 CFR 361.5(b)(53).

As part of the monitoring process, RSA reviewed the RSA-911 data submitted by DRS in FYs 2008 and 2009. In FY 2008, DRS reported that it placed 89 individuals in production positions earning an average of \$5.94 per hour, and 95 individuals in transportation and material moving positions earning an average of \$6.64 per hour. In FY 2009, DRS reported that it placed 94 individuals in production positions earning an average of \$7.27 per hour, and 89 individuals in transportation and material moving positions earning an average of \$7.66 per hour.

In addition, DRS provided RSA, while on-site, with a data summary of the average wages earned by individuals who achieved SE outcomes with the most frequently used employers in all five regions of the State for FYs 2008 and 2009. According to that data summary provided by DRS, the employers paying less than minimum wage, the number of individuals employed, and the average wages earned for individuals employed in SE during FY 2008 and FY 2009 are as follows:

- Kroger grocery store in the Blue Ridge Region employed 12 individuals with disabilities earning an average wage of \$7.08/hour;
- Sodexo employed five individuals with disabilities earning an average of \$6.80/hour;
- Steps, Inc. employed five individuals with disabilities earning an average of \$1.71/hour;
- Safeway employed 30 individuals with disabilities earning an average of \$6.81/hour;
- Giant Food employed 20 individuals with disabilities earning an average of \$6.57/hour;
- Hardees employed seven individuals with disabilities earning an average of \$6.49/hour;
- Farm Fresh employed 19 individuals with disabilities earning an average of \$6.49/hour;
- Wal-mart in the Eastern region employed nine individuals with disabilities earning an average of \$7.13/hour;
- McDonald's employed eight individuals with disabilities earning an average of \$6.55/hour;

- Food Lion employed seven individuals with disabilities earning an average of \$6.51/hour;
- Goodwill in the Southwest region employed 21 individuals with disabilities earning an average of \$6.22/hour;
- Mount Rogers IDC employed 17 individuals with disabilities earning an average of \$5.99/hour;
- Kroger Grocery in the Southwest region employed six individuals with disabilities earning an average of \$6.59/hour; and
- Career Support Services employed five individuals with disabilities earning an average of \$6.56/hour.

During FY 2008, the Federal minimum wage, which applies in Virginia, changed from \$5.85 an hour to \$6.55 an hour on July 24, 2008.² During FY 2009, the Federal minimum wage changed from \$6.55 to the current \$7.25 an hour on July 24, 2009.

While on-site, RSA interviewed DRS management regarding the SE earnings data. DRS management confirmed that each of the above individuals, including the 89 individuals placed in production positions and 95 individuals placed in transportation and material moving positions during FY 2008, were closed as having achieved an employment outcome as competitive employment, even though DRS admitted that many of these individuals were earning less than the minimum wage applicable at the time. None of these individuals were receiving SE services through Titles I or VI of the Rehabilitation Act at the time of the on-site review. DRS management also confirmed that the five individuals placed at Steps, Inc., earning an average of only \$1.71 per hour, were closed as having achieved competitive employment. As RSA explored this issue further while on-site, DRS management confirmed that it reports all SE closures as competitive employment regardless of whether the individual is earning less than the minimum wage.

An employment outcome, for purposes of the VR program, means that the individual has obtained full- or part-time competitive employment in an integrated labor market, supported employment, or any other type of employment in an integrated setting (34 CFR 361.5(b)(11)). Competitive employment, for purposes of the VR program, means full- or part-time employment in an integrated setting for which the individual is compensated at or above the minimum wage, and not less than the customary wages and benefits paid to non-disabled individuals performing the same or similar work (34 CFR 361.5(b)(11)). Supported employment, for purposes of the VR program, means competitive employment in an integrated setting, or employment in an integrated setting in which an individual is working toward competitive employment, with on-going supports for individuals with the most significant disabilities (34 CFR 361.5(b)(53)). DRS may close an individual's VR case as having achieved an employment outcome only if: 1) the individual has achieved the employment outcome specified on the individual's IPE; 2) the individual has maintained that employment outcome for at least 90 days; 3) the individual and his/her VR counselor agree that the employment outcome is satisfactory and that the individual is performing well in that employment outcome; and 4) the individual is informed of the availability of post-employment services.

² Amendments to the Fair Labor Standards Act of 1938, as amended (29 USC 201 *et seq.*), implementing a three-step increase over a three-year period, took effect July 24, 2007.

DRS is required to administer the VR program in a proper and efficient manner that ensures the agency can collect accurate data (34 CFR 361.12). Furthermore, the agency's administration of the VR program must ensure that it can accurately report data to RSA (34 CFR 80.20(a)). The RSA-911 Report requires DRS to report the number of cases closed during the fiscal year. Of those closures, DRS is required to report: 1) whether those closures involved the achievement of an employment outcome; 2) whether the employment outcome, if applicable, constitutes competitive employment; and 3) whether the employment outcome, if applicable, involved the provision of supports (SE).

In this case, the data and information that RSA learned while on-site demonstrate that each of the individuals at issue here – except possibly those employed by Steps, Inc., have achieved an employment outcome, as defined by 34 CFR 361.5(b)(16), in an integrated setting. As the data demonstrate and DRS confirmed, DRS reported the case closures, pursuant to 34 CFR 361.56, for all of the individuals at issue as having achieved competitive employment, regardless of whether the individual was earning at least minimum wage. However, competitive employment, as defined at 34 CFR 361.5(b)(11), requires that the individual earn at least the minimum wage. Alternatively, SE, as defined at 34 CFR 361.5(b)(53), can include individuals earning below the minimum wage, so long as those earning less are working toward earning at least the minimum wage. DRS provided RSA with no evidence, nor did the data demonstrate, that any of the individuals placed in SE were working toward or making progress toward earning at least the minimum wage, as is required. It is the long-standing policy that SE outcomes do not constitute competitive employment, as defined at 34 CFR 361.5(b)(11), unless the person is making minimum wage:

Thus, as long as an individual receiving ongoing support services while working in an integrated setting is also progressing or moving toward the minimum wage level, then the individual's job is considered "supported employment." We note, however, that an individual in supported employment working toward competitive employment [e.g., earning at least minimum wage] would not be considered to have achieved an "competitive employment" outcome until the individual is earning at least the minimum wage consistent with the definition of "competitive employment" in [34 CFR] 361.5(b)(11). (66 Fed. Reg. 4379, 4421 (Jan.17, 2001)).

Therefore, DRS' reporting of all of these individuals as having achieved competitive employment, when they were not making at least the minimum wage, provided RSA with inaccurate data. As such, DRS failed to comply with the requirements of 34 CFR 361.12 and 34 CFR 80.20(a)(1), which requires DRS to collect and report accurate VR program data. Furthermore, there is no evidence to demonstrate that DRS ensures that individuals are at least working toward or making progress toward earning minimum wage prior to reporting that the individuals have achieved SE, as is required by 34 CFR 361.5(b)(53).

Corrective Action 3: DRS must:

- 3.1 cease reporting individuals as having achieved a competitive employment outcome when the individual is not earning at least minimum wage;

- 3.2 cease reporting individuals as having achieved an employment outcome of SE when they are not earning at least the minimum wage, or at least working toward earning at least the minimum wage;
- 3.3 submit a written assurance to RSA within 10 days of the issuance of the final monitoring report that DRS will: 1) report only those individuals who are earning at least minimum wage as having achieved a competitive employment outcome; 2) report only those individuals as achieving SE who are either earning at least minimum wage or who are making progress toward earning minimum wage; and 3) ensure that all individuals reported as having achieved SE are actually working toward earning at least minimum wage;
- 3.4 revise its policies and provide guidance to staff to make it clear that competitive employment outcomes require that the individual earn at least the minimum wage, regardless of whether those individuals are also receiving on-going supports. The policy and guidance also must make it clear that SE outcomes require that the individual, if not already making at least minimum wage, is working toward earning at least minimum wage; and
- 3.5 submit copy of the revised policy and guidance to RSA to ensure completion of this corrective action.

4. SE Outcomes in Non-Integrated Settings

Legal Requirements:

34 CFR 361.5(b), in pertinent part, states:

- (16) *Employment outcome* means, with respect to an individual, entering or retaining full-time or, if appropriate, part-time competitive employment, as defined in 34 CFR 361.5(b)(11), in the integrated labor market, supported employment, or any other type of employment in an integrated setting, including self-employment, telecommuting, or business ownership, that is consistent with an individual's strengths, resources, priorities, concerns, abilities, capabilities, interests and informed choice.

- (33) *Integrated setting* –

- (ii) With respect to an employment outcome, means a setting typically found in the community in which applicants or eligible individuals interact with non-disabled individuals, other than non-disabled individuals who are providing services to those applicants or eligible individuals, to the same extent that non-disabled individuals in comparable positions interact with other persons.

- (53) *Supported employment* means –

- (i) Competitive employment in an integrated setting, or employment in an integrated work setting in which individuals are working toward competitive employment...with ongoing support services for individuals with the most significant disabilities.

34 CFR 361.56 states:

The record of services of an individual who has achieved an employment outcome may be closed only if all of the following requirements are met:

- (a) Employment outcome achieved. The individual has achieved the employment outcome that is described in the individual's IPE in accordance with 34 CFR 361.46(a)(1) and is consistent with the individual's strengths, resources, priorities, concerns, abilities, capabilities, interests and informed choice.
- (b) Employment outcome maintained. The individual has maintained the employment outcome for an appropriate period of time, but not less than 90 days, necessary to ensure the stability of the employment outcome, and the individual no longer needs vocational rehabilitation services.
- (c) Satisfactory outcome. At the end of the appropriate period under paragraph (b) of this section, the individual and the qualified rehabilitation counselor employed by the designated State unit consider the employment outcome to be satisfactory and agree that the individual is performing well in the employment.
- (d) Post-employment services. The individual is informed through appropriate modes of communication of the availability of post-employment services.

Finding 4: DRS has failed to comply with 34 CFR 361.56, because it has closed VR cases for individuals as having achieved an employment outcome when those individuals, in fact, were placed in non-integrated settings. Furthermore, DRS has not developed a systematic case-by-case review process, as described in RSA Technical Assistance Circular (TAC)-06-01 (November 21, 2005), to ensure that individuals who achieve an SE outcome have been placed in an integrated setting, as that term is defined at 34 CFR 361.5(b)(33).

As part of the monitoring review, RSA facilitated discussions with DRS' stakeholders, who reported to RSA that DRS frequently closes cases for individuals placed in non-integrated settings as successful SE outcomes. The stakeholders also informed RSA, while on-site, that DRS does not conduct case-by-case analyses of employment settings to determine if individual employment settings meet the definition of integrated settings, as defined at 34 CFR 361.5(b)(33), in accordance with RSA guidance at TAC-06-01. RSA pursued the issue further with DRS management while on-site. DRS informed RSA that it sometimes closes individuals' cases as having achieved SE despite the fact that the individuals have been placed in non-integrated settings. DRS also admitted that it does not have a systematic plan in place to monitor employment sites on a case-by-case basis to ensure that each placement, closed as an SE outcome, is in an integrated setting. Instead, according to DRS management, these determinations are to be made by the individual VR field offices. DRS informed RSA that it is aware of "small pockets of non-integrated settings" among the Employment Services Organizations (ESOs), but that the ESOs are beginning to have conversations about integrated settings and are "moving in the right direction for Virginia."

According to the stakeholders and DRS staff interviewed by RSA, the ESOs – or community-based providers -- are utilized to provide job development and placement services. The ESOs frequently hire the individuals, to whom they provided services, at the completion of the individual's VR program. DRS, in turn, closes these individuals' VR cases as having achieved

an employment outcome. For example, DRS currently purchases SE services from the ARC of the Peninsula, one of its numerous ESOs. The ARC of the Peninsula operates a production laboratory that was built as a satellite worksite of Soluble Systems to create a center-based employment opportunity for adults with developmental and other disabilities to produce TheraGauze, a wound care product. The ARC contract with Soluble Solutions employs eight ARC of the Peninsula staff, six of whom are individuals with disabilities who are hired and supervised by two non-disabled individuals -- the production manager and lead supervisor. A number of these six individuals with disabilities are former DRS consumers who received SE services at the ARC of Peninsula and were hired at the completion of their VR program. The satellite worksite, located at the ARC of the Peninsula, does not employ other employees of Soluble Solutions. The ARC employees work and take breaks together, and do not travel to the main Soluble Solutions worksite. Both Soluble Solutions and ARC employees are paid at or above minimum wage.

In order for DRS to close an individual's case as having achieved an employment outcome, the individual must have achieved competitive employment or supported employment or any other type of employment in an integrated setting (34 CFR 361.5(b)(16) and 34 CFR 361.56). For purposes of the VR program, an integrated setting is one typically found in the community in which individuals with disabilities have the opportunity to interact with non-disabled persons to the same extent as non-disabled persons performing the same work interact with other non-disabled persons (34 CFR 361.5(b)(33)(ii)). This regulatory definition is consistent with the legislative history for that term. Although integrated setting is not defined in the Rehabilitation Act, the legislative history made it clear that the term "is intended to mean a work setting in a typical labor market site where people with disabilities engage in typical daily work patterns with co-workers who do not have disabilities; and where workers with disabilities are not congregated" (Senate Report 105-166, page 10 (March 2, 1998)). Furthermore, entities set up specifically for the purpose of providing employment to individuals with disabilities will likely not satisfy the definition of integrated setting (RSA TAC-06-01, endnote v (Nov. 21, 2005)).

In this case, the Soluble Solutions' satellite worksite at the ARC of the Peninsula may not constitute an integrated setting, for purposes of an employment outcome under the VR program, since the satellite worksite only hires individuals with disabilities. If, after conducting its analysis, DRS determines that the satellite worksite at the ARC of Peninsula fails to meet the definition of an integrated setting, DRS is not permitted to report these case closures as having achieved an employment outcome pursuant to 34 CFR 361.56. The same would be true for any VR consumer hired by an ESO that is not determined to be an integrated setting. It is DRS' responsibility to determine whether worksites, especially those created for the purpose of hiring individuals with disabilities, satisfy the definition of an integrated setting at 34 CFR 361.5(b)(33). To make this determination, DRS must conduct its own analysis -- pursuant to the guidance provided in RSA TAC-06-01 -- of whether the Soluble Solutions satellite worksite at the ARC of Peninsula, as well as similar ESO worksites, constitute an integrated setting. In particular, DRS should consider the level of interaction of an individual with disabilities with non-disabled persons in the following three areas: within that individual's entire worksite; within that individual's work-unit; and outside of that individual's worksite, such as with customers or vendors.

Given DRS' own admission that it has sometimes closed individual cases as having achieved an employment outcome, despite the fact that those individuals were placed in non-integrated settings, DRS has failed to comply with 34 CFR 361.56. Furthermore, DRS has failed to determine, on a case-by-case basis whether worksites, especially those at the ESOs, would constitute an integrated setting for purposes of the VR program.

Corrective Action 4: DRS must:

- 4.1 cease closing individuals' VR cases, as having achieved an employment outcome pursuant to 34 CFR 361.56, when those individuals have been placed in non-integrated settings, as defined at 34 CFR 361.5(b)(33) for purposes of the VR program;
- 4.2 submit a written assurance to RSA within 10 days of the issuance of the final monitoring report that it will only report individuals as having achieved an employment outcome, as defined at 34 CFR 361.5(b)(16), if those individuals have been placed in an integrated setting;
- 4.3 develop a case-by-case process, prior to closing an individual's case pursuant to 34 CFR 361.56 for having achieved an employment outcome, through which DRS assesses whether the worksite – especially those at the ESOs -- would constitute an integrated setting, in accordance with the guidance set forth at RSA TAC-06-01. In particular, DRS should assess the level of interaction of an individual with disabilities with non-disabled persons, especially in the following three areas: within that individual's entire worksite; within that individual's work-unit; and outside of that individual's worksite, such as with customers or vendors;
- 4.4 provide guidance and training to VR staff regarding the definition of integrated employment settings, in accordance with 34 CFR 361.5(b)(33), to enable staff to appropriately identify integrated employment settings and ensure that individuals are provided the same opportunity to interact with persons without disabilities as non-disabled individuals; and
- 4.5 submit a copy of any worksite analyses completed and guidance created pursuant to this corrective action to ensure completion of the corrective action.

TA and Continuing Education

This section of the chapter describes the TA provided by RSA to DRS during the course of the review and the continuing education needs of the agency identified by its personnel and stakeholders. The TA requested by the agency to enable it to carry out the recommendations and findings set forth above is included in Appendix A of this report titled "DRS Response."

TA Provided

During the review of the VR and SE programs, RSA provided TA to DRS regarding:

- inclusion and reflection of services funded through comparable benefits on the IPE and reports of services provided to RSA through the RSA-911;
- review of the definition of an integrated setting through the provision of Technical Assistance Circular (TAC) RSA-TAC-06-01 to include the definition of an employment outcomes;

- provision of examples of performance measures used by VR agencies to assess the quality of SE outcomes and to assist with summarizing performance to inform the choices made by customers regarding the selection of providers;
- revisions to the agency's policy manual regarding the provision of stipends to clearly define when the provision of maintenance and transportation is appropriate as defined in the regulations at 34 CFR 361.5(b)(35); and
- use of RSA's management information system (MIS), including the availability of program data, locating RSA monitoring tables, standards and indicator data, agency report cards, performing ad hoc queries of agency performance as well as performance of other agencies.

Continuing Education

During the course of the review, DRS and stakeholder representatives, including the SRC, requested that agency personnel receive continuing education in the areas of:

- requirements of the Act;
- basic medical terminology;
- assessing criminal records;
- use and documentation of TWE and EE;
- coding of comparable services on the IPE;
- development of authorizations in the case management system and utilization of case management reports to include access to budget reports on all staff levels;
- definition of integrated settings;
- networking with employers and businesses to become more comfortable with job development and placement in the private industry;
- assistive technology;
- SSA work incentives; and
- new counselor skills training.

CHAPTER 2: FISCAL MANAGEMENT OF THE VA VR AND SE PROGRAMS

RSA reviewed DRS's fiscal management of the VR and SE programs. During the review process, RSA provided TA to the state agency to improve its fiscal management and identified areas for improvement. RSA reviewed the general effectiveness of the agency's cost and financial controls, internal processes for the expenditure of funds, use of appropriate accounting practices and financial management systems.

Fiscal Management

Financial Management Services provides budget administration, grants management, general accounting, financial statements, purchasing and contracts, mail services, motor fleet and central supply management. In July 2009, Accenture was awarded a system integration contract to develop a financial accounting system using Oracle's PeopleSoft software. In concert with this award, the Commonwealth purchased an Enterprise License Agreement (ELA) for components of PeopleSoft. The ELA provides the financial and human resource software licenses necessary to support Executive, Legislative and Judicial Branch agencies who are not already utilizing Oracle or PeopleSoft Enterprise Resource Planning (ERP) software.

This modernization initiative is called the Cardinal Project. The project consists of two parts. Part 1 is the delivery of a full financial application to replace the VA Department of the Treasury's current system and is scheduled for delivery in June 2011. Part 2 is the delivery of a financial application for use by the Department of Accounts (fiscal office only) in June 2012. Due to funding constraints, the Department of Accounts application will be implemented as a "base" financial system, having the same functional capability currently contained within the Commonwealth Accounting and Reporting System today. This base functionality will serve as the foundation for enterprise financial accounting systems, excluding budget development. Over time, its functional capability will be expanded to meet additional agency needs.

Modern ERP systems provide numerous benefits, including improved management, analysis, reporting and integration with existing financial systems. Implementation of any ERP presents risk, as well as rewards.

DRS Fiscal Performance

The data in the following table are taken from fiscal and program reports submitted by the state agencies to RSA, and speak to the overall effectiveness of the agency's fiscal management practices. Data related to the VR program matching requirements are taken from the fourth quarter of the respective fiscal year's SF-269 report. The data pertaining to the VR program maintenance of effort requirements are derived from the final SF-269 report of the fiscal year (two years prior to the fiscal year to which they are compared). Fiscal data related to VR program administration, total expenditures, and administrative cost percentage are taken from the RSA-2.

Table 2.1
Vocational Rehabilitation Services - Fiscal Table

Virginia (G)					
Fiscal Year	2004	2005	2006	2007	2008
Grant Amount	\$51,570,117	\$50,980,939	\$52,965,797	\$55,373,102	\$55,139,739
Federal Expenditures	\$51,570,117	\$50,980,939	\$52,965,797	\$55,373,102	\$55,139,739
Required Match	\$13,957,351	\$13,797,891	\$14,335,089	\$14,986,621	\$14,923,462
Actual Match	\$13,957,351	\$14,885,366	\$15,159,034	\$16,650,866	\$16,883,018
Over (Under) Match	\$0	\$1,087,475	\$823,945	\$1,664,245	\$1,959,556
Carryover at 9/30 (year one)	\$0	\$4,785,282	\$542,643	\$0	\$0
Program Income	\$1,111,093	\$1,302,069	\$1,947,158	\$1,682,200	\$2,043,519
Maintenance of Effort (MOE)	\$13,358,880	\$13,704,162	\$13,957,351	\$14,885,366	\$15,159,034
Administrative Costs	\$5,547,060	\$7,105,215	\$7,733,299	\$8,316,483	\$9,237,223
*Total Expenditures	\$63,762,644	\$64,261,911	\$72,908,374	\$74,357,584	\$75,023,698
Percent Admin Costs to Total Expenditures	8.70%	11.06%	10.61%	11.18%	12.31%

*Includes Supported Employment Program Expenditures.

Fiscal Management Compliance Findings and Corrective Actions

RSA identified the following compliance findings and corrective actions that DRS is required to undertake. DRS must develop a corrective action plan for RSA's review and approval that includes specific steps the agency will take to complete the corrective action, the timetable for completing those steps, and the methods the agency will use to evaluate whether the compliance finding has been resolved. RSA anticipates that the corrective action plan can be developed within 45 days from the issuance of this report and RSA is available to provide TA to assist DRS to develop the plan and undertake the corrective actions. RSA reserves the right to pursue enforcement action, including the recovery of Title I VR and Title VI Part B SE funds, pursuant to 34 CFR 80.43 and 34 CFR Part 81 of EDGAR.

1. Financial Reporting (Financial Status Report)

Legal Requirements:

34 CFR 361.12 requires that:

The State plan must assure that the State agency, and the designated State unit if applicable, employs methods of administration found necessary by the Secretary for the proper and efficient administration of the plan and for carrying out all functions for which the State is responsible under the plan and this part. These methods must include procedures to ensure accurate data collection and financial accountability.

34 CFR 80.20(a) requires that:

A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State... must be sufficient to:

- (2) Permit preparation of reports required by this part and the statutes authorizing the grant, and
- (3) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

Finding 1: DRS is not in compliance with 34 CFR 361.12 and 34 CFR 80.20(a) because the agency submitted inaccurate Financial Status Reports (SF-269s) for the VR program for FYs 2005 through 2009. As a result of DRS' failure to report all non-Federal expenditures incurred, RSA could not determine whether DRS had complied with MOE requirements for those years. In addition, due to errors in the reports, RSA could not determine the proper amount of program income receipts and expenditures for those same years. For example:

- From discussions with DRS financial staff assigned the responsibility of preparing the SF-269s and RSA's on-site review of supporting documentation, RSA found that non-federal expenditures were under-reported as outlined in the following table:

Table 2.2
VA DRS Non-Federal Expenditures

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Reported Expenditures	13,797,891	14,335,089	14,986,621	14,923,462	15,808,167
Required Adjustments	1,087,475	823,945	1,664,245	1,959,556	1,254,128
Total Adjusted Expenditures	14,885,366	15,159,034	16,650,866	16,883,018	17,062,295

During the on-site review, DRS concurred that all non-federal expenditures are required to be reported, but were not at that time the reports were submitted. DRS subsequently submitted revised SF-269s on December 21, 2009, for FYs 2005 through 2009. The revised SF-269s accurately report the Commonwealth's non-federal contribution to the VR program (as outlined in the above table) in each of these fiscal years.

- A review of reported program income disclosed that program income receipts increased after submission of the year-end (September 30) report submitted for FYs 2005 through 2008, as outlined in the following table:

Table 3
VA DRS Program Income

	FY 2005	FY 2006	FY 2007	FY 2008
Previously Reported 9/30 Program Income Receipts	1,302,069	1,799,003	1,599,452	1,872,909
Required Adjustments for Receipts Added After 9/30 or Reported in Incorrect FY	(148,155)	148,155	82,748	170,610
Total Program Income Received	1,153,914	1,947,158	1,682,200	2,043,519

While on-site, DRS explained to RSA that it typically reports program income earned/received in one year as part of its financial reporting for the prior fiscal year since the funds used to earn the program income often were appropriated in the prior fiscal year. For example, DRS received \$148,155 during FY 2006, but reported it on FY 2005's SF-269. This method of reporting is inconsistent with published RSA guidance on the reporting of program income. RSA Policy Directive (PD)-01-02, Part C states: "Program income, whenever earned, is considered accrued when it is received by the grantee. For example, program income earned as a result of Social Security reimbursements (Title I program only) may not be received for many months, or possibly years since the reimbursement might cover the cost of VR services provided to an individual with a disability over a period several years. Therefore, it is RSA policy that program income apply when the funds are actually received and become available for use by the grantee."

During the on-site review, DRS concurred that program income should be reported in the fiscal year in which it is received by the Commonwealth of VA and submitted revised SF-269s on December 21, 2009 to accurately report the program income actually received in FYs 2005 through 2008.

Federal regulations require that all recipients of Federal funds must accurately report the financial results of all Federally-assisted activities (34 CFR 361.12 and 34 CFR 80.20(a)). DRS, as a recipient of Federal Title I VR funds, must comply with the requirements of 34 CFR Part 80 (34 CFR 361.4(a)(5)). DRS' inaccurate reporting of non-Federal expenditures incurred and program income received and expended result in an inaccurate report of the total funds available for the VR program for each of those years. RSA utilizes financial reports, such as the RSA-2 and the SF-269, as the basis for establishing national data trends and norms from which to compare agencies. Therefore, DRS' inaccurate reporting impacts RSA's ability to develop accurate databases from which to conduct program analyses and develop reports, as required by sections 12 and 13 of the Rehabilitation Act. By submitting inaccurate reports, DRS has failed to comply with the requirements of 34 CFR 361.12 and 34 CFR 80.20(a).

Corrective Action 1: DRS must:

- 1.1 cease submitting inaccurate SF-269s;
- 1.2 submit a written assurance to RSA within 10 days of the issuance of the Final monitoring report that DRS will submit complete and accurate SF-269s to RSA, especially with regard to the reporting of all non-Federal expenditures incurred by the agency and all program income receipts and expenditures; and

1.3 implement internal controls to ensure the accuracy of financial and statistical information before submission to RSA.

2. Periodic Certification – Staff Working Solely on VR Program

Legal Requirements:

34 CFR 361.12 states:

The State plan must assure that the State agency, and the designated State unit if applicable, employs methods of administration found necessary by the Secretary for the proper and efficient administration of the plan and for carrying out all functions for which the State is responsible under the plan and this part. These methods must include procedures to ensure accurate data collection and financial accountability.

34 CFR 80.20(a) states:

A State must exp[en]d and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State... must be sufficient to:

- (4) Permit preparation of reports required by this part and the statutes authorizing the grant, and
- (5) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

2 CFR part 225 (formerly known as OMB Circular A-87), Appendix B, paragraph 8.h.3 requires: Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

Finding 2: DRS is not in compliance with 2 CFR part 225, Appendix B, paragraph 8.h.3, because the agency has not conducted periodic certifications for employees working solely on one federal grant program or cost objective. In failing to comply with this requirement, DRS is not able to ensure that the VR program is administered properly and efficiently and that all VR funds are accounted for properly, as required by 34 CFR 361.12 and 34 CFR 80.20(a).

As a recipient of VR funds, DRS is required to administer the program properly and efficiently (34 CFR 361.12 and 34 CFR 80.20(a)). It must ensure that VR funds are properly accounted for and that accurate data are collected and reported (*Id.*). In ensuring the proper administration of the VR program and accountability of VR funds, DRS must be able to document the time its staff spend on the VR program. Federal cost principles set forth requirements for ensuring the proper accounting of staff time, both for staff working full-time on one program and for staff splitting their time on multiple programs. In particular, 2 CFR part 225, Appendix B, paragraph 8.h.3,

requires DRS employees or their supervisors to certify, at least semi-annually, that the employee worked solely on one grant program during the period covered by the certification. This requirement is separate from the requirement to maintain time and attendance records for all employees.

While onsite, RSA found that DRS does not conduct any certifications, let alone the required semi-annual certifications, for staff who work solely on one program, as required by 2 CFR part 225, Appendix B, paragraph 8.h.3. Given this failure to ensure that the staff's time is certified at least twice a year, DRS has failed to comply with 2 CFR part 225, Appendix B, paragraph 8.h.3. In failing to comply with this certification requirement, DRS also has failed to comply with 34 CFR 361.12 and 34 CFR 80.20(a) because DRS cannot ensure that the VR program has been administered properly and efficiently or that VR funds have been expended solely on VR allowable personnel costs.

Corrective Action 2: DRS must:

- 2.1 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will comply with: 1) semi-annual staff certification requirements set forth at 2 CFR part 225, Appendix B, 8.h.3; and 2) administration requirements at 34 CFR 361.12 and 34 CFR 80.20(a); and
- 2.2 develop procedures to ensure that, at a minimum, semi-annual certifications are completed for all employees working solely on one federal grant program, or cost objective, to comply with the requirement at 2 CFR part 225, Appendix B, paragraph 8.h.3.

TA

This section of the chapter describes the TA provided by RSA to DRS during the course of the review. The TA requested by the agency to enable it to carry out the corrective actions set forth above is included in Appendix A of this report titled "DRS Response."

TA Provided

To enable the agency to improve its fiscal management processes, RSA provided TA to DRS during the review process regarding:

- RSA's assessment of the agency's compliance with specific financial requirements, including match, MOE, carryover, reallocation, program income, liquidation of outstanding obligations, and grant closeout;
- training in the basic financial requirements of RSA-funded formula grant programs, which included: RSA organizational structure, guidance and reference materials (including OMB Circulars), innovation and expansion expenditures, allotment process, match, maintenance of effort, program income, liquidation of obligations, carryover, reallocation process, procurement, property management, records retention, reversion to donor, audit requirements, and financial and statistical reports;
- completing financial reports and identifying the federal fiscal year to which expenditures should be reported;

- documentation required to support year-end non-federal expenditures and unliquidated obligations;
- requirement to report all costs incurred by the state that are allowable and allocable to the State VR Services Program to accurately determine the maintenance of effort requirement applicable to each fiscal year and compliance with this requirement;
- timing of non-federal expenditures to meet State VR Services Program match and maintenance of effort requirements;
- OMB Circular A-87 time distribution documentation requirements applicable to staff working on more than one program (federal and/or state);
- OMB Circular A-87 semi-annual certification requirement applicable to staff charging 100 percent of their salary costs to one federal grant program;
- federal requirements applicable to the timely and accurate submission of financial and statistical reports (SF-269 and RSA-2) and BRS' responsibility for the verification of reported information in each formula grant program (VR, SE, IL-Part B and OIB); and
- reallocation process and strategies for requesting and utilizing one-time federal funds made available through this process.

Issues Requiring Further Review

1. Operation of the WWRC

The information provided is taken from a RSA-contracted report on comprehensive rehabilitation centers that was primarily developed in FYs 2006 and 2007, additional information provided by VRS as part of the FY 2010 monitoring review conducted by RSA, and information on the WWRC. The entire section from the contracted report applicable to the WWRC is included as an attachment to this document. Additional information that was gathered while on-site raised legal questions that must be answered before the issuance of VA's monitoring report related to WWRC expenditures that affect:

1. expenditures that must be reported to determine VA's maintenance of effort level and compliance with this requirement;
2. determining and accurately reporting program income; and
3. payment for services provided to DRS consumers through WWRC programs.

Background

RSA's contracted report provides the following background information related to WWRC: Established in 1947, VA WWRC is, according to center documents, the oldest comprehensive rehabilitation center in the United States. WWRC is organizationally located in DRS, which, along with the DBVI, reports to the VA Secretary of Health and Human Services. WWRC's mission is to provide "people with disabilities comprehensive, individualized services to realize optimal personal independence and employment." The director of the WWRC is supervised by the Commissioner of DRS.

While WWRC primarily serves VR consumers, non-VR and possibly IL consumers are also served. WWRC's website describes the relationship between DRS and WWRC as "the Center is

very closely connected to the VA DRS and most notably it's Field Rehabilitation Services Division."

DRS and WWRC maintain that WWRC is not part of, but is closely connected to the State VR Program in VA. If WWRC is part of the State VR Services Program in VA, all of the income and expenditures (including expenditures for capital outlays and program income that have not been reported) related to the operation of WWRC must be reported for MOE purposes.

RSA's 2007 report states that two-fifths (\$10.5 million) of WWRC's FY 2007 \$25.5 million budget was comprised of federal Section 110 funds. Other funding included \$12.6 million in transferred funds, about one-third of which was from the general agency in the form of match and the remainder from direct allocation in the state legislature's budget bill. Other sources of funding included Medicare/Medicaid (\$1.1 million) private insurance/private pay, student grants and loans (including Pell grants), and other grants. The center has a separate agency code, although it is administered under DRS. Center costs are not considered purchased services and do not appear as such in the RSA-911; rather, they are direct services costs.

Issue

Based on financial information provided by VA during the onsite visit, \$24,420,942.95 was expended at WWRC in FY 2009. Of this amount, \$17,638,204.24 was from Federal Section 110 funds, the 21.3 percent match for these funds, and program income (72.2 percent of total expenditures). According to the WWRC director, these funds lose their identity when transferred to WWRC and it is totally at the discretion of the VR director and WWRC as to how these funds are budgeted and expended. Additional funds to operate WWRC came from state funds (\$6,495,449.95 – 26.6 percent) and other funds (\$287,288.45 – 1.2 percent).

RSA's initial review of financial information and discussions with staff indicate that DRS reports only the Federal Section 110 funds expended at WWRC, the match for these funds (21.3 percent) and Social Security reimbursements (program income) transferred to WWRC. This practice raises the legal questions below.

1. Is WWRC part of the VR program or, as VA maintains, a separate state entity that DRS uses to provide services to VR consumers?
2. If WWRC is a part of the VR program, is DRS required to report all state funds and other funds expended at WWRC on financial and statistical reports submitted for this program including all of the income received and expended by WWRC? (34 CFR 80.25)
3. If WWRC is a part of the VR Program, is DRS required to report all expenditures for capital improvement projects at WWRC?
4. If, as maintained by WWRC and DRS, WWRC is a separate entity, can DRS continue its current financial arrangement with WWRC?

Essentially, DRS pays a fluctuating negotiated part of WWRC's total yearly budget. Since non-VR consumers are served at WWRC, without a methodology for determining the cost of providing services to each consumer receiving services at WWRC and ultimately reimbursing WWRC its actual costs for serving VR consumers, DRS may be in violation of OMB Circular

and EDGAR provisions. (2 CFR part 225 (formerly known as OMB Circular A-87), Appendix A, paragraph C, and 34 CFR 80.22). The Commonwealth of VA is the grantee. WWRC is a part of the state and can only charge actual costs to DRS for providing services to VR consumers.

CHAPTER 3: PROGRESS TOWARD REDRESSING FINDINGS FROM PRIOR RSA REVIEWS

DRS was subject to a PIP in accordance with 34 CFR 361.82 (b), because DRS did not meet the required performance levels for Indicators 1.1, 1.5, and 1.6 for FY 2008. A summary of the progress that DRS has made on the PIP is provided below.

Performance Indicator 1.1 – Change in the Number of Employment Outcomes

This indicator is the difference between the number of individuals exiting the VR program who achieved an employment outcome during the current performance period and the number of individuals exiting the VR program who achieved an employment outcome during the previous performance period. Required performance level: DRS must equal or exceed previous performance period.

Agency Performance: Through the PIP, DRS established a performance target for FY 2010 of 4,000 successful employment outcomes. In FY 2008, the year in which DRS did not meet this standard, DRS achieved 4,012 employment outcomes. In FY 2009, DRS achieved 3,214 employment outcomes.

Performance Indicator 1.5 – Average Hourly Earnings

This indicator is the average hourly earnings of all individuals who exit the program in competitive, self-employment, or Business Enterprise Program (BEP) employment with earnings equivalent to at least the minimum wage as a ratio to the state's average hourly earnings for all individuals in the state who are employed (as derived from the Bureau of Labor Statistics report, State Average Annual Pay, for the most recent available year).

Agency Performance: In FY 2008, the year in which DRS did not meet this standard, DRS achieved outcomes with hourly wages at \$9.42, while the state average was \$22.51, and resulted in a ratio of hourly wages to average state hourly wage of .418, which was below the performance level of .52. In FY 2009, DRS achieved outcomes with hourly wages at \$9.62, while the state average was \$22.93, and resulted in a ratio of hourly wages to average state hourly wage of .419, which was below the performance level of .52. DRS established goals for FY 2010 hourly wages for employment outcomes at \$9.10, and at \$9.40 for the Northern region of the commonwealth.

Performance Indicator 1.6 – Economic Support

Of all individuals who exit the VR program in competitive, self-, or BEP employment with earnings equivalent to at least the minimum wage, the difference between the percentage who report their own income as the largest single source of economic support at the time they exit the VR program and the percentage who report their own income as the largest single source of support at the time they apply for VR services.

Agency Performance: In FY 2008, DRS achieved 3,710 competitive employment outcomes, of which 69.1 percent were individuals whose primary support was their own income at time of closure. Six hundred and ninety-six, 18.8 percent, of the individuals who achieved competitive employment outcomes in FY 2008, were self-supporting at time of application. The performance level for indicator 1.6 is the mathematical difference between the percent of individuals whose income is the primary support at time of application and at the time of closure. The minimum performance level for indicator 1.6 is 53. In FY 2009, DRS achieved 2,939 competitive employment outcomes, of which 66.9 percent were individuals whose primary support was their own income at time of closure. Four hundred and eighty-five, 16.5 percent, of the individuals who achieved competitive employment outcomes in FY 2009, were self-supporting at time of application. Through the PIP, DRS implemented strategies such as increasing benefits counseling services to attain successful performance for this indicator.

PART II: REVIEW OF VA DBVI EXECUTIVE SUMMARY

During FY 2010, the RSA reviewed the performance of the following programs authorized by the Act in the Commonwealth of VA:

- VR program, established under Title I;
- SE program, established under Title VI, Part B; and
- OIB, established under Title VII, Chapter 2.

VA Administration of the VR, SE, and OIB Programs

VA has two separate agencies, DRS the general agency, and DBVI, the separate agency that serves individuals who are blind or vision impaired. While both agencies administratively report to the Secretary for Health and Human Services, each agency is its own designated state agency (DSA). The Secretary of Health and Human Resources oversees 12 state agencies that provide services to Virginians with mental retardation, mental illness, substance abuse, physical disabilities, low income working families, and the aging community.

DBVI is the DSA and DSU for the purpose of providing VR and SE services to individuals who are blind. In addition, DBVI has primary responsibility for the administration of the OIB program, which is a component of DBVI's Rehabilitation Teaching (RT) and IL program. The RT/IL program serves individuals of all ages who are blind or visually-impaired with approximately \$4,000,000 in state general revenue funds. OIB services are provided by DBVI's RTs and O&M instructors at the six DBVI regional offices and at consumers' homes and communities. In FY 2009, the OIB program served 1,317 individuals who are older blind or vision impaired through nearly \$1.8 million in federal Title VII, Chapter 2, state match and state general revenue funds.

In addition to the SRC, DBVI has the VA Board for the Blind and that is comprised of seven members and is established under VA statute to serve in an advisory capacity to DBVI.

DBVI Performance over the Past Five Years

Based on data provided by DBVI through various RSA reporting instruments, DBVI's employment rate decreased from 69.0 percent in FY 2004 to 60.8 percent in FY 2008; the number of new applicants increased from 374 in FY 2004 to 461 in FY 2008; the number of individuals served under an IPE decreased from 336 in FY 2004 to 301 in FY 2008; and the number of individuals the agency assisted to achieve employment decreased from 232 to 183 for the same period. The average hourly earnings increased from \$11.22 in FY 2004 to \$13.81 in FY 2008 for competitive employment outcomes.

Of those individuals who achieved an employment outcome, the number who achieved SE decreased from five in FY 2004 to one in FY 2008.

The overall percentage of transition-age youths served increased from 15.18 percent in FY 2004, to 19.93 percent in FY 2008. The overall number of transition-age youths who achieved employment increased from 24 in FY 2004, to 30 in FY 2008.

The number of individuals that DBVI's OIB program served decreased from 2,304 in FY 2006 to 1,317 in FY 2009.

Observations of the Agency and Stakeholders

Through the course of the review, agency personnel and representatives of stakeholders, such as the SRC, SILC, CAP and the Board for the Blind and shared information concerning the administration and performance of the DBVI VR, SE, IL, and OIB programs. During the review, they made the observations below.

- There is a need for more consistent guidance regarding verification of SSA beneficiaries, TWE and EE, IPE amendments, and SE utilization.
- DBVI should provide more consistent information regarding due process rights and advocacy programs.
- There is a need to develop a formalized process for training on policies and procedures to include new counselor and re-fresher trainings in specific content areas, in addition to the orientation to blindness training currently provided to staff.
- VR counselors need training on the impact of secondary disabilities, functional limitations, and how to address secondary disabilities in the rehabilitation process.

Strengths and Challenges

Based on the observations from the agency and its stakeholders and other information gathered through the review process, RSA concluded that DBVI exhibited a variety of strengths that enhanced service delivery, and experienced a number of challenges that inhibited its ability to improve the performance of its VR, SE, IL, and OIB programs.

Strengths

The strengths included DBVI's allocation of ARRA VR funds to open all of its priority categories previously closed under an Order of Selection (OOS). DBVI utilized its available resources to provide services to persons with disabilities in the Commonwealth of VA.

DBVI employs five Education Service Coordinators who are assigned to all of the school districts in VA and are responsible for providing outreach to transition-age youths, processing referrals and coordinating the transfer of each transition-age youth from the school system to the VR program. Through its current service delivery structure, DBVI has increased the percentage of transition-age youth served from 10 percent in FY 2007 to 20 percent in FY 2008. In addition, with earlier involvement, DBVI has increased the number of transition-age youths who achieve competitive employment at SGA and 35 or more hours per week with employer provided benefits from FY 2007 to FY 2008.

DBVI's financial and QA support to OIB resulted in the 94 percent consumer satisfaction rating achieved by the program in the Rehabilitation Research and Training Center on Blindness and Low Vision at Mississippi State University's annual evaluation conducted in FY 2009.

Challenges

While the OIB program has achieved documented levels of quality, the number of older blind individuals it serves has been declining since FY 2006. Among the contributing factors are growing vacancies in direct service staff, increasing number of low vision evaluations provided by private doctors receiving higher Medicare reimbursement rates, lack of referrals from CILs and challenges in reaching minority populations, particularly Hispanics and African-Americans.

Acknowledgement

RSA wishes to express appreciation to the representatives of the DBVI, the SRC, the SILC, the CAP, the Board for the Blind and Vision Impaired and the stakeholders who assisted the RSA monitoring team in the review of DBVI.

CHAPTER 1: VR AND SE PROGRAMS OF DBVI

VR and SE Program Systems

The following sections of this chapter describe the manner in which DBVI administers and operates the VR and SE programs through a variety of functions or systems, including service delivery, personnel, case and data management, QA and planning.

Service Delivery

DBVI provides VR and SE services to individuals through six regional offices located in Bristol, Fairfax, Norfolk, Richmond, Roanoke, and Staunton and the VA Rehabilitation Center for the Blind and (VRCBVI) located in Richmond.

Staff at the regional offices and VRCBVI include 18 VR counselors, 14 O&M specialists, 26 RTs, six education coordinators, five rehabilitation engineers, and one services coordinator for individuals who are deaf-blind.

Since July 2004, DBVI has operated under an OOS with three priority categories. From September 2005 through January 2009, DBVI served individuals in all three categories. In late January 2009, DBVI was unable to provide services to all new applicants and closed two of the three categories. All categories were opened in June of 2009, and remained open during the FY 2010 monitoring period.

DBVI works closely with ESOs in VA that deliver services such as situational or supplemental assessments, job training, work hardening, job-site training, job development and placement, and job coaching. DBVI has developed working relationships with particular ESOs that have expertise in providing services to individuals who are blind or visually-impaired. ESO contracts are fee-for-service, and DBVI has engaged in discussions regarding performance-based contracting with some providers.

The DBVI SE extended services are coordinated through an initial authorization of long-term follow-along or extended support services through its central office staff. After an SE record is closed successfully, DBVI funds follow-along or extended support services through a general state appropriation fund for SE. An initial authorization of general state funds is authorized by the SE coordinator in the DBVI central office. Funds are tracked through the fiscal accounting system that DBVI utilizes to manage monthly billing and track long-term follow-along. DBVI conducts a record-by-record analysis of each potential employment setting to verify that it is an integrated setting as recommended in RSA-TAC-06-01. DBVI does not consider enclaves and mobile work crews as SE placements.

In FY 2008, DBVI expended \$4,231,881 on purchased services or 35.5 percent of its total expenditures which was comparable to the national average of \$4,349,615 or 35 percent of the total expenditures for blind agencies. DBVI expended \$4,003,084 of its purchased services on

training or 62.6 percent of the total expenditures which was greater than the national average of \$2,947,178 or 52.2 percent of total expenditures for blind agencies.

DBVI operates the VRCBVI, located adjacent to the DBVI central office in Richmond. VRCBVI provides services, including vocational evaluation, job exploration, vocational skills training, job seeking skills, as well as providing instruction in communication, O&M, and IL skills development.

DBVI operates specific programs for transition-age youths including the transition program and the college assessment program. The transition program at the VRCBVI is offered in the summer to students who are returning to high school in the fall, ranging from the ages of 14-21 with the average age range of 16 to 18. The program has the capacity to serve 20 students, and the duration of the program is four weeks. Students can be referred to the program every summer until graduation. In 2007, the program was changed to include community employment. During the first two weeks of the program, students are provided with IL and assessments based on community work experiences to evaluate appropriate employment goals and opportunities. The last two weeks of the program consist of community-based work experiences provided to students through two-hour work days for seven to 10 days. Students reside at the center and participate in IL skills training when not participating in community-based work opportunities. Employment opportunities have ranged from food service to office work at an electric sales company. DBVI staff support the students and employers and provide job coaching at the employment sites.

The college assessment program is a three-week program that is offered in June. The program is for high school students in their junior year, and the purpose of the program is to assess readiness for college. The program consists of academic testing, training on note taking and college level writing, IL skills, and assistive technology assessments, including the evaluation of computer and low-vision needs. Assistive technology assessments and needs are followed up in the field by the VR counselors.

In addition to providing VR services through its six regional offices and the VRCBVI, DBVI also administers the Library and Resource Center, the R-S program, and the VA Industries for the Blind.

Personnel

DBVI has adopted the education standard of the CRCC for certified rehabilitation counselors. All 18 DBVI VR counselors meet the standard, or possess the CRC credential. DBVI has policy in place to enable the agency to hire below the established standard if such recruitment is necessary. The policy provides that individuals who do not meet the standard must enroll in an academic program within six months of hire and meet the standard within six years. DBVI expects that four senior VR counselors will retire during FY 2010. In addition to program administration and field staff, DBVI also has approximately 41 staff (26 full time and 15 part time) at the VRCBVI, which includes four O&M specialists, eight RT and instructors, two and a half vocational evaluators, two nurses, one and a half VR counselors, six administrators and 15

part-time support staff (weekend dorm supervisors, drivers, instructional assistants and maintenance).

In April, 2009, DBVI implemented a succession plan, referred to internally as Investing in our Workforce, that was designed to develop individuals for management and leadership positions and ensure continued efficient delivery of quality services as present managers retire. The plan includes participation in a 54-module curriculum provided by the commonwealth addressing management issues, and a two-year program of monthly video conferences addressing VR management. The first cohort is expected to complete the program in March 2011.

Table 1.1
DBVI Personnel Job Categories and Number of Staff in Each Category

Position	Number of Staff
VR Counselor	18
Rehabilitation Teacher	26
Orientation and Mobility	14
Education Coordinator	6
Deaf Blind Specialists	1
Rehabilitation Engineer	5
Regional Manager	6
Office Service Specialist	15
Central Office Administrators and Staff	7
VRCBVI Administration and Staff (delineated below)	41
Orientation and Mobility	4
Rehabilitation Teacher/Instructor	8
Vocational Evaluator	2.5
Nurse	2
VR Counselor	1.5
Administration/Support	18
Part-Time Weekend Dorm Supervisor, Driver, Instructional Assistant and Maintenance	15
Administration and Dorm Staff	8
Total	141

Data and Case Management

DBVI implemented a new case management system over the course of FY 2008 and began full system utilization on October 1, 2008. A system upgrade was implemented in FY 2010 that included system enhancements and improved search capabilities.

Extensive training was provided prior to implementation, and new counselors were provided specific training on data input and case recording. Management staff received training on report generation and service record management. DBVI central office staff produce monthly reports for DBVI management on record movement, closure, record activity, and financial activity. The DBVI management team also uses case management system data to produce on-going performance reports and for ad hoc reports to inform strategic planning.

QA

Service record reviews are conducted at the regional manager level. Regional managers review 50 percent of all records in application and eligibility statuses, as well as 50 percent of record closures, and expenditures over \$2,000. Direct feedback is provided to the VR counselors. Systemic issues are reported to the VR program director.

DBVI has not implemented a formal QA process for services provided by ESOs. In addition, there is no formal QA process in place at VRCBVI to evaluate service delivery or outcomes.

Planning

DBVI and the SRC are in planning stages for implementing a CSNA. In 2010, DBVI and the SRC began implementation of selected portions of the assessment including identification of populations to be assessed, and compilation of data from disability organizations, state education and human service entities, and demographic statistical reports.

DBVI engages in strategic planning on an on-going basis through the Commissioner's management team. The VR program director works closely with the Commissioner to monitor planning efforts and implementation of initiatives resulting from the planning process.

DBVI is also a part of planning in coordination with other commonwealth government entities. The goals and priorities described in DBVI's FY 2010 State Plan are reflected in the agency's commonwealth strategic plan.

VR and SE Program Performance

The following table provides data on the performance of the VR and SE programs administered by DBVI in key areas from FY 2004 through FY 2008.

Table 1.2
DBVI Program Highlights

Virginia DBVI Program Highlights	2004	2005	2006	2007	2008
Total funds expended on VR and SE	\$11,179,324	\$10,472,068	\$10,384,242	\$11,545,027	\$12,622,923
Individuals whose cases were closed with employment outcomes	232	140	182	197	183
Individuals whose cases were closed without employment outcomes	104	129	101	92	118
Total number of individuals whose cases were closed after receiving services	336	269	283	289	301
Employment rate	69.05%	52.04%	64.31%	68.17%	60.80%
Individuals whose cases were closed with SE outcomes	5	8	6	4	1
New applicants per million state population	50	41	45	53	59
Average cost per employment outcome	\$7,153	\$11,495	\$8,599	\$7,861	\$10,047
Average cost per unsuccessful employment outcome	\$4,610	\$9,097	\$5,407	\$7,351	\$7,479
Average hourly earnings for competitive employment outcomes	\$11.22	\$12.79	\$12.75	\$13.12	\$13.81
Average state hourly earnings	\$19.14	\$20.23	\$20.96	\$21.89	\$22.51
Percent average hourly earnings for competitive employment outcomes to state average hourly earnings	59%	63%	61%	60%	61%
Average hours worked per week for competitive employment outcomes	33.3	31.3	31.9	31.5	32.6
Percent of transition-age served to total served	15.18%	23.42%	18.02%	15.57%	19.93%
Employment rate for transition population served	47.06%	28.57%	54.90%	40.00%	50.00%
Average time between application and closure (in months) for individuals with competitive employment outcomes	24.3	33.2	30.5	25.1	25.5
Performance on Standard 1	Met	Met	Met	Met	Met
Performance on Standard 2	Met	Met	Met	Met	Met

VR/SE Program Performance Observations and Recommendations

As a result of its review activities, RSA identified the performance observations set forth below and recommended that DBVI take specific steps to improve the agency's performance associated with each of the observations. Following each set of observations and recommendations DBVI identified whether it requests TA to carry out the recommendations.

1. Utilization of VRCBVI

Observation: VRCBVI is a substantial resource available to provide services to contribute to employment outcomes for individuals. However, present programming and service provision at VRCBVI, and the commitment of fiscal resources to the center, limit DBVI capacity to serve the number of individuals who could benefit from services.

- VRCBVI expenditures for FY 2008 were approximately \$2.5 million, which was 19.7 percent of DBVI's \$12.6 million total expenditures.
- In FY 2009, VRCBVI served 140 individuals, which was approximately 14.6 percent of the 956 individuals who received services in FY 2009.
- In FY 2008, VRCBVI served 128 individuals, which was approximately 12.7 percent of the 940 individuals who received services in FY 2008.
- VRCBVI opened at its current location in 1972. Renovations to the dormitory were completed in FY 2008, and VRCBVI now has the capacity to accommodate 34 individuals in the dormitory.
- Twenty-six individuals are on staff at VRCBVI.
- In FY 2009, planning was initiated to begin renovations to the training and administrative facilities of VRCBVI. In addition to structural building renovations, the training curriculum and training course offerings will also be redesigned and modernized.
- Services are provided at VRCBVI to evaluate academic skills and develop IL capacity. An initial four-day assessment is conducted prior to the start of the four-month IL residential services program.
- Stakeholders noted that computer access, including internet access was not available in the dormitory. Stakeholders also noted that training should be expanded from vocational trades to professional career options and updated beyond clerical and word processing trainings. Stakeholders reported that the standardized programming does not meet the needs of individuals served by the center and that the services should be customized and individualized.
- Staff reported that VRCBVI is not set up to provide the field with what is needed to serve individuals at the community level. It was noted that a day-component for assessment combined with a return to community for training would be beneficial. Furthermore, sharing VRCBVI resources such as O&M instruction and vocational evaluation could be beneficial to field staff and individuals in the community.
- VRCBVI maintains a basic and limited tracking system that does not include tracking of specific services, cost of services provided, or employment outcomes accomplished. Data are tracked only to assess basic number of individuals served, individuals completing services, and basic demographic information.

- In FY 2009, DBVI implemented an OOS, and two of the three categories were closed from January through June 2009.
- As shown on table 1.3 below, for FY 2008, DBVI served fewer individuals as new applicants, applicants per million state population, individuals determined eligible during the year and individuals in an employment plan receiving services when compared to the national averages of blind agencies. DBVI also closed significantly fewer records of individuals who received services under an IPE and either achieved or did not achieve employment.

Table 1.3
DBVI Case Status Information for FY 2008 DRS Compared to Peer Averages

Number of Individuals at Various Statuses	DBVI FY 2008	Blind Agencies Mean FY2008	Difference
New applicants during the year	461	577	-116
New applicants per million state population	59	100	-100
Individuals determined eligible during the year	426	465	-39
Total number IPEs developed during the year	350	411	-61
Individuals in plan receiving services during the year	349	405	-56
Closed with employment after services under an IPE	183	278	-95
Closed without employment after services under an IPE	118	126	-8
Individuals closed after services under an IPE	301	404	-103

- DBVI received a higher percentage of its referrals from elementary or secondary schools, post-secondary schools, physician or medical personnel or medical institution, state or local welfare agency, community rehabilitation programs, the SSA, and one-stop employment training centers when compared to the averages for agencies serving individuals who were blind or visually impaired in FY 2008. However, DBVI received a lower percentage of its referrals from individuals or self-referrals and other services when compared to the national averages for blind agencies.

Table 1.4
DBVI Referral Sources during FY 2008

Sources	Blind Agency Average	DBVI Average for FY 2008	Difference
Total	100%	100%	0%
Elementary/ Secondary Schools	1.2%	3.8%	-2.6%
Post Secondary Schools	.2%	.7%	-.5%
Physician or Medical Personnel or Medical Institution	15.9%	23.6%	-7.7%
State or Local Welfare Agency	.2%	2.3%	-2.1%
Community Rehabilitation Programs	.0%	3.3%	-3.3%
Social Security Administration	.7%	.9%	-.2%
One-stop Employment/ Training Centers	.2%	.9%	-.7%
Self-Referral	62.9%	49.3%	13.6%
Other Sources	18.6%	15.1%	3.5%

Recommendation 1: RSA recommends that DBVI:

- 1.1 conduct focus groups with stakeholders and DBVI field staff to obtain input on service delivery needs in the community and recommendations for VRCBVI utilization;
- 1.2 evaluate VRCBVI programs and services, including its mission, purpose and role in the VR program;
- 1.3 use input from stakeholders and DBVI staff, and results of evaluation of VRCBVI programs and services to develop a strategic plan for VRCBVI utilization; and
- 1.4 develop and implement a data management system for VRCBVI to enable tracking of services and outcomes to inform management and strategic planning efforts regarding the effective utilization of VRCBVI as a service delivery resource.
- 1.5 evaluate the number and percentage of referrals received from referral sources and identify which sources DBVI should target with respect to marketing; and
- 1.6 develop and implement a marketing effort to increase the awareness of the community and individuals of DBVI and its services.

2. Closures Prior to Provision of Services

Observation: DBVI closes a significant number of records prior to the provision of services.

- From FY 2004 through FY 2008, DBVI increased the percentage of records closed for individuals who were determined eligible, but before an IPE was developed, by 44 percent. The total number of records closed increased from 55 records in FY 2004 to 79 records in FY 2008. The total number of records closed in this status in FY 2008, was 58 percent higher than the national average of 50 records for all blind agencies.

- From FY 2004 to FY 2008, the number of the transition-age youths closed after being determined eligible for services, but before the development of an IPE, increased from 23 individuals to 26 individuals or 28 percent of all individuals closed. In FY 2008, the 28 percent of transition-age youths closed after being determined eligible, but before an IPE was developed, was almost twice the national average of 14.3 percent for all blind agencies.
- The percentage of individuals determined eligible for services, but received no services increased by 50 percent from 14 percent in FY 2004 to 21 percent in FY 2008. This increase was 57 percent higher than the national average of 13.4 percent for blind agencies. Counselors and supervisors throughout the state attributed the high number of closures after eligibility, but before development of an IPE to misinformation about DBVI's services.
- DBVI field staff reported that consumers receiving SSA benefits were often interested in receiving tuition assistance or other services, but not for the purposes of becoming employed. Also, field staff reported that a number of individuals were referred from medical providers or community providers with the expectation of obtaining funding for medical services, including surgeries, or moving into sheltered settings in the community.

Recommendation 2: RSA recommends that DBVI:

- 2.1 provide a full orientation to consumers scheduled upon receipt of the referral detailing the VR process, objectives and responsibilities of both the agency and the individual;
- 2.2 conduct a comprehensive analysis of the reasons individuals are exiting the system prior to the development of the IPE; and
- 2.3 develop and implement strategies based on the analysis in recommendation 2.2 to improve communication and the successful development of an IPE, and reduce the number of individuals exiting the VR program.

3. Employment Outcomes

Observation: DBVI has experienced a five-year decline in the quantity and quality of successful employment outcomes.

Table 1.5
DBVI Closure Outcomes and Rehabilitation Rate for FY 2004 through FY 2008

Performance Measure	2004	2005	2006	2007	2008	FY 2008 Blind Agencies Average	FY 2008 Peer Average
All Populations							
Employment Outcomes	232	140	182	197	183	278	251
Without Employment Outcomes	104	129	101	92	118	126	95
Rehabilitation Rate	69%	52%	64%	68%	61%	69%	73%
Percent with employment outcomes after services * (Indicator 1.2) –Minimum Performance Level: 68.9%	73.11%	61.49%	58.33%	66.26%	64.41%	69.93%	72.1%
Transition-age Youths							
Employment Outcomes	24	18	28	18	30	31	38
Without Employment Outcomes	27	45	23	27	30	27	24
Rehabilitation Rate	47.06%	28.57%	54.90%	40.00%	50.00%	53.16%	61.08%

*For Blind Agencies prior two years are used in comparison for past year

- As shown in Table 1.5 above, the number of individuals who achieved an employment outcome decreased from 232 individuals in FY 2004 to 183 individuals in FY 2008. During this same period, the number of individuals who received services and did not achieve employment increased from 104 in FY 2004 to 118 individuals in FY 2008. As a result, the agency's rehabilitation rate (as measured by Indicator 1.2) decreased from 73.11 percent in FY 2004 to 64.41 percent in FY 2008. DBVI's rehabilitation rate has been below the minimum performance level since FY 2005.
- The number of individuals who achieved an employment outcome in FY 2008 was significantly lower than the peer average of 251 individuals and the national average of 278 individuals for all blind agencies (peer agencies include the following blind agencies: Kentucky, Minnesota, and Missouri).
- The rehabilitation rate of 61 percent for DBVI was lower than the average of 73 percent for its peers and the national average of 69 percent for blind agencies in FY 2008.
- The number of transition-age youths who exited with an employment outcome increased from 24 in FY 2004 to 30 in FY 2008, as indicated below in Table 1.5. However, the number of transition-age youths who achieved employment was below the average of 38 individuals for its peers and the average of 31 individuals for all blind agencies in FY 2008.
- The number of transition-age youths who exited without an employment outcome increased from 27 FY 2004 to 30 in FY 2008. The number of transition-age youths closed without an employment outcome after receiving services in FY 2008 was higher than the average of 24 individuals for its peers and the national average of 27 individuals for all blind agencies.
- The employment rate for transition-age youths increased from 47.06 percent in FY 2004 to 50.0 percent in FY 2008, but remained below the average employment rate of 61.08 percent for its peers and the national average of 55.55 percent for blind agencies in FY 2008.

Table 1.6
DBVI Comparison of Individuals Served Who Were Employed with Earnings at
Application to Those Not Employed at Application for FY 2004 through FY 2008

Performance Elements	2004	2005	2006	2007	2008	Blind Agency Average 2008
Individuals Employed With Earnings at Application						
Number of Employment Outcomes	105	57	89	99	98	142
Number Without Employment Outcomes	14	17	15	17	22	21
Number Served	121	74	104	116	120	352
Employment Rate	86.8%	77.0%	85.6%	85.3%	81.7%	85.6%
Average Hourly Wage at Closure for Individuals With Paid Employment Outcomes	\$12.46	\$13.63	\$13.70	\$15.55	\$15.99	\$13.99
Percent of Individuals Served	36.0%	27.5%	36.7%	40.1%	39.9%	36.5%
Percent of Employment Outcomes	45.3%	40.7%	48.9%	50.3%	53.6%	51.1%
Individuals Who Were Not Employed or Had No Earnings at Application						
Number of Employment Outcomes	127	83	93	98	85	136
Number Without Employment Outcomes	88	112	86	73	96	105
Number Served	215	195	179	173	181	241
Employment Rate	59.1%	42.6%	52.0%	56.6%	47.0%	58.8%
Average Hourly Wage at Closure for Individuals With Paid Employment Outcomes	\$9.24	\$11.77	\$10.37	\$10.13	\$10.96	\$11.51
Percent of Individuals	64.0%	72.5%	63.3%	59.9%	60.1%	63.5%
Percent of Employment Outcomes	54.7%	59.3%	51.1%	49.7%	46.4%	48.9%

- As shown in Table 1.6 above, the number of individuals not employed at application who achieved employment decreased from FY 2004 to FY 2008. In FY 2004, 127 individuals who achieved employment were not employed at application. In FY 2008, the number of individuals not employed at application who achieved employment decreased to 85 individuals. During this same period, the percent of individuals who achieved employment and were not employed at application decreased from 54.7 percent in FY 2004 to 46.4 percent in FY 2008.

- In FY 2008, the average hourly wage for individuals employed at application who achieved employment was \$15.99, or 13 percent higher than the national average, compared to the average hourly wage of \$10.96 for individuals who were not employed at application and whose cases were closed after the achievement of employment or 5 percent below the national average. Also, the average wage at closure for individuals employed at application increased \$3.53 from FY 2004 to FY 2008, while the average wage at closure increased \$1.45 for individuals who achieved employment and were not employed at application.
- The employment rate was significantly higher for individuals who were employed at application when compared to individuals who were not employed at application. As shown in Table 1.6, in FY 2008, the employment rate for individuals employed at application was 81.7 percent, compared to 47 percent for those not employed at the time of application.

Recommendation 3: RSA recommends that DBVI:

- 3.1 analyze the decline in the number of individuals who achieved employment outcomes and the employment rate to determine the reasons underlying the decline in these respective performance measures;
- 3.2 develop and implement measurable goals and strategies and put into the State Plan, to improve the agency's employment rate;
- 3.3 develop and implement goals and strategies to increase the number of individuals served who are not employed at application and achieve employment outcomes;
- 3.4 develop and implement strategies to increase wage levels for the individuals served who are not employed at application; and
- 3.5 explore relevant training and education to increase wages, and expand relationships with employers throughout the state.

4. Evaluating and Improving ESO Services

Observation: DBVI has anecdotal information about the performance of ESOs providing services to DBVI consumers. The agency does not have a formal process in place to review the timeliness or quality of services and employment outcomes provided by ESOs. As a result, DBVI has been unable to improve the accountability of providers through the evaluation of performance measures including the provision of quality services and employment outcomes.

- DBVI does not maintain a database to track and evaluate the effectiveness or efficiency of services provided to individuals with disabilities by ESOs. These data would assist DBVI with measuring and monitoring the performance of ESO to determine the most effective allocation of resources to increase the quality of services and employment outcomes.
- Currently, monthly progress reports are submitted with ESO invoices. ESOs who are CARF accredited submit an annual report of outcome measures to DBVI and many volunteer customer satisfaction surveys.
- DBVI would benefit from an ESO evaluation tool and gathering information related to what other state agencies have developed to evaluate ESO performance and how that information is shared with staff and VR clients.

Recommendation 4: RSA recommends that DBVI:

- 4.1 develop an evaluation tool to include common measurable goals by which the agency can measure the performance of ESOs, as a group or individually, in terms of the timeliness of services and the number and quality of employment outcomes achieved;
- 4.2 share that evaluation information with VR counselors, consumers, and ESOs; and
- 4.3 use the evaluation information to improve the quality of services and employment outcomes provided by ESOs and identify training and TA needs of ESO staff.

5. Contracts with ESOs

Observation: DBVI's contracts with ESOs are based on a fee-for-service structure through which the ESOs are paid an hourly rate for the services provided rather than a performance-based system under which the ESOs would be paid the total fee, or a portion thereof, only when certain criteria or milestones are met. As a result, DBVI has been unable to evaluate the efficiency and effectiveness of its current contracting methods to determine if performance based contracting meets the needs of persons with disabilities, improves provider accountability and increases the provision of quality services and employment outcomes.

- There are approximately 76 ESOs available to provide services to DBVI customers such as situational or supplemental assessments, job training, work hardening, job-site training, job development, placement, and coaching through fee-for service contracts.
- DBVI has engaged in discussions regarding performance-based contracting with select providers.

Recommendation 5: RSA recommends that DBVI develop and implement strategies that include performance-based contracting, to improve the accountability of ESOs for the number and quality of employment outcomes achieved.

6. Training on Policies and Procedures

Observation: DBVI does not currently provide a new counselor training and it has not developed a formalized training process or protocol through which agency staff are trained. As a result, policies and procedures are interpreted and applied inconsistently throughout the state which effect DBVI's ability to implement its service delivery system and utilize its case management system.

- DBVI does not offer a new counselor training nor does it have a formalized process for training staff on policies and procedures.
- DBVI management staff e-mail policy directives and updates to all agency staff and provide the information through memos discussed during monthly program and field staff meetings. In addition, clarification related to policies and procedures are provided to staff by the regional managers.
- DBVI staff and stakeholders indicated that policies are interpreted and implemented inconsistently across the state. They expressed concerns regarding the limited opportunities for refresher courses on topical areas specific to VR.

Recommendation 6: RSA recommends that DBVI:

- 6.1 develop and implement a plan for training its staff on policies and procedures for all staff involved in policy interpretation and implementation;
- 6.2 develop and implement a training protocol for field supervisors to utilize with field staff to ensure consistent provision of training across the Commonwealth;
- 6.3 develop and implement a new counselor training including staff development, policies, procedures, the Act, DBVI's service delivery system, and determine the frequency with which the program will be offered and location of the program; and
- 6.4 assess staff training needs, evaluate DBVI's resources and develop refresher trainings and opportunities for VR specific staff trainings for staff.

7. Implementation of the New Case Management System

Observation: DBVI has been slow to implement its new case management system, and as a result, staff were not properly prepared to adequately take advantage of its analytical functions built into the system.

- DBVI jointly purchased a case management system with DRS during FY 2004. Each agency's version is maintained on separate servers. DBVI's version was adapted to be used by the VRDBVI.
- DBVI began using the new system in March of 2008, approximately four years after its purchase and six months after DRS in order to begin implementation in a new FY after DRS to prevent a system overload. DBVI and DRS utilized the same staff to oversee the implementation for both agencies. Therefore, staggering implementation dates allowed staff to address agency specific issues at development and implementation.
- DBVI provided statewide training to all staff in six regional offices. The pre-implementation training was conducted through training and testing environments. The data analyst continues providing technical support to each office and each of those offices has a contact person to assist with any questions they may have.
- Some staff members in stated that training was conducted too soon before the system was operational, and consequently they did not remember the training enough to access and use the system.
- DBVI does not allow staff to utilize the report developer function to the same extent as other agencies using a similar system, due to the potential of overburdening the system by publishing and saving reports.
- Counselors cannot access the system on the web, thereby requiring them to take notes on laptops, or by hand when meeting with individuals and to re-enter information into the system when in the office. DBVI stated web access would be initiated in January 2010 which would alleviate the problem.

Recommendation 7: RSA recommends that DBVI:

- 7.1 assess the level of staff proficiency with the new system and use the results to determine the design, objectives and population for system retraining;

- 7.2 enable staff to utilize the system's report developer capability in order to enhance capacity of individuals to use data and inform case management decisions; and
- 7.3 make system modifications to enable staff to have remote system access through web-based protocols.

VR/SE Program Compliance Findings and Corrective Actions

As a result of its review activities, RSA identified the following compliance findings and corrective actions that DBVI is required to undertake. DBVI must develop a corrective action plan for RSA's review and approval that includes specific steps the agency will take to complete the corrective action, the timetable for completing those steps, and the methods the agency will use to evaluate whether the compliance finding has been resolved. RSA anticipates that the corrective action plan can be developed within 45 days from the issuance of this report and is available to provide TA to assist the agency in the development of the plan and the implementation of the corrective actions. RSA reserves the right to pursue enforcement action, including the recovery of Title I VR funds; pursuant to 34 CFR 80.43 and 34 CFR part 81 of EDGAR.

1. Improper Utilization of IPE for Extended Evaluations (EE) and Trial Work Experiences (TWE) Plans

Legal requirements:

34 CFR 361.42(e)(2)(i) and (f)(3) require that:

- (e) *Trial work experiences for individuals with significant disabilities.*

- (2)(i) The designated State unit must develop a written plan to assess periodically the individual's abilities, capabilities and capacity to perform in realistic work situations through the use of trial work experiences, which must be provided in the most integrated setting possible, consistent with the informed choice and rehabilitation needs of the individual.

- (f) *Extended evaluations for certain individuals with significant disabilities.*

- (3) During the extended evaluation period, the [DSU] must develop a written plan for providing services necessary to make a determination under paragraph (e)(2)(iii) of this section.

34 CFR 361.45(a)(1), in pertinent part, states:

- (a) *General requirements.* The State plan must assure that –
An Individualized Plan for Employment (IPE)...is developed and implemented in a timely manner for each individual determined to be eligible for [VR] services....

Finding 1: DBVI is not in compliance with the VR regulations at 34 CFR 361.42(e)(2)(i) and (f)(3) and 34 CFR 361.45(a)(1) because the agency has not developed written plans, as required,

for TWE or EE periods. Instead, DBVI improperly utilizes IPEs to serve as the TWE and/or EE plans for individuals who have not yet been determined eligible for VR services.

Prior to making any determination that an individual with a disability is unable to benefit from the receipt of VR services in terms of achieving an employment outcome due to the severity of his or her disability, DBVI must explore the individual's abilities, capabilities, and capacity to perform in realistic work settings to determine whether there is clear and convincing evidence to make such a determination (34 CFR 361.42(e)(1)). DBVI must develop a written plan to assess periodically the individual's abilities, capabilities, and capacity to perform in work situations through the use of trial work experiences (TWE) (34 CFR 361.42(e)(2)(i)). If, under limited circumstances, TWE is not available or has been exhausted and the agency still has not determined whether clear and convincing evidence exists, DBVI must conduct extended evaluations (EE) (34 CFR 361.42(f)(1)). As with the TWE, DBVI must develop a written plan for the provision of services during the EE period (34 CFR 361.42(f)(3)). Once an individual has completed the TWE and/or EE periods, DBVI then must determine whether the individual is eligible for VR services pursuant to 34 CFR 361.42. After an individual is determined eligible for VR services, DBVI must develop an IPE, in accordance with 34 CFR 361.45, that specifies the agreed upon employment outcome for the individual and the VR services he or she will receive in order to achieve that employment outcome.

As part of this review, DBVI submitted its policies at Chapter IV *Planning for VR Services, the IPE*, which states, "IPEs are developed when: 1.) a customer participates in an extended evaluation to determine eligibility (in AWARE this is Application X and is completed using the EE plan data page); 2.) the customer has been determined eligible and the counselor and customer are setting a vocational goal and planning for service; and 3) a customer requires services in post-employment." Chapter II *IPE-Extended Evaluation-Application-X; Documentation Requirements B; Actions Required* 2. states, "complete the IPE for Trial Work Experiences Plan or Extended Evaluation Plan from the Eligibility section of the Pages menu in AWARE as described in Chapter 4." These policies and procedures make it clear that DBVI is utilizing an IPE as the written plan(s) for TWE and EE periods for individuals who have not yet been determined eligible for VR services. However, IPEs should only be developed after an individual has been determined eligible for VR services (34 CFR 361.45(a)(1)). There is no authority under the VR program for DBVI to develop an IPE prior to the determination of an individual's eligibility (*Id.*). Instead, if DBVI is providing services via TWE or EE in order to determine whether an individual is eligible for services, DBVI must develop separate written plans – not IPES -- for those activities pursuant to 361.42(e)(2)(i) and (f)(3). In utilizing IPEs for TWE or EE written plans, DBVI has failed to comply with federal requirements at 34 CFR 361.42(e)(2)(i) and (f)(3) and 34 CFR 361.45(a)(1).

Corrective Action 1: DBVI must:

- 1.1 cease using IPEs as the written plans, required during a TWE or EE, for individuals who have not yet been determined eligible for VR services;
- 1.2 submit a written assurance to RSA within 10 days of the issuance of the final monitoring report that DBVI will comply with the requirements of 34 CFR 361.42(e) and (f) and 34 CFR 361.45(a), especially with regard to developing written plans during the provision of TWE

and/or EE services for individuals who have not yet been determined eligible for VR services;

- 1.3 amend its policy on planning for VR Services and the Development of the IPE, and the documentation requirements in Chapter 2 of the VR Manual to ensure that IPEs are only developed for those individuals who have been determined eligible for VR services;
- 1.4 develop and implement policies and procedures pertaining to written plans specific to TWE and EE periods; and
- 1.5 submit copies of the policies and procedures to RSA to ensure completion of this corrective action.

2. Signatures Not Obtained for All IPE Amendments

Legal requirements:

34 CFR 361.45(d), in pertinent part, state that:

- (d) *Mandatory procedures.* The designated State unit must ensure that –

- (1) the IPE is developed and implemented in a manner that gives eligible individuals the opportunity to exercise informed choice consistent with [34 CFR] 361.52, in selecting –
 - (i) The employment outcome, including the employment setting;
 - (ii) The specific vocational rehabilitation services needed to achieve the employment outcome, including the settings in which services will be provided;
 - (iii) The entity or entities that will provide the vocational rehabilitation services; and
 - (iv) The methods available for procuring the services.

- (7) Amendments to the IPE do not take effect until agreed to and signed by the eligible individual or, as appropriate, the individuals representative and by a qualified [VR] counselor employed by the designated State unit.

Finding 2: DBVI has failed to comply with the VR regulations at 34 CFR 361.45(d)(7) because the agency does not require the VR counselor or consumer to sign all amendments to the IPE prior to the implementation of those changes.

As part of this review, DBVI submitted Chapter IV *Planning for VR Services, The Individualized Plan for Employment* from its Vocational Rehabilitation Manual. This policy chapter provides the guidance and procedures by which amendments to the IPE are to be completed with the customers of DBVI. The policy states that, “IPEs must be signed by the customer and counselor to indicate agreement. Additionally, customer and counselor signatures must appear on all substantial amendments...Services may be added, modified, or deleted by editing the Plan in [case management system] for non-substantial amendments...IPEs with non-substantial amendments do not have to be signed by the counselor or customer nor do they have to be reviewed.”

As part of that chapter, DBVI defines substantial amendments as including, but not limited to:

- when the vocational objective goal changes from that indicated on the original program or previous amendments;
- when there is a change in the financial participation of the customer; and
- when there is a major change in service that changes the direction of the case.

In addition, DBVI defines non-substantial amendments as including, but not limited to:

- the purchase of additional books, bus tickets or computer cables;
- the changing of a vendor of a service that is already on a plan; and
- change of the expected IPE end date.

Federal regulations governing the VR program require that DBVI obtain signatures from both the consumer and the VR counselor on all IPE amendments prior to the implementation of those amendments (34 CFR 361.45(d)(7)). However, in the preamble to the final VR regulations in 1997, the Secretary made it clear that not all changes require an IPE amendment.

[T]he Secretary agrees that minor changes to an individual's program of services do not have to be recorded in a revision to the [IPE]. This means, for example, that a slight change in the cost of a previously authorized VR service would not warrant a revision to the [IPE]. On the other hand, a substantial change to an existing service (e.g., a change in service provider) or the addition of a new service must be documented by a revision [to the IPE]. Regardless of whether a particular change necessitates a revision to the [IPE], the Secretary expects that the DSU will obtain the agreement of the individual before the change is implemented (Final VR Regulations, 62 Fed. Reg. 6307, 6326 (Feb. 11, 1997)).

However, for those changes that are substantial enough to warrant an IPE amendment, DBVI must obtain signatures from both the individual and VR counselor prior to implementing those changes (34 CFR 361.45(d)(7)). DBVI's policy manual indicates that certain changes are not considered substantial enough to warrant a formal IPE amendment, including signatures. For example, DBVI states that changes in vendors or the addition of new services do not require a formal IPE amendment with signatures. However, as the Secretary stated in the preamble to the 1997 Final VR regulations, changes in service providers would be considered substantial and would require an amendment to the IPE with signatures. This position is consistent with the requirements of 34 CFR 361.45(d)(2), which outlines the aspects of the VR program for which the agency is required to provide the individual with the opportunity to exercise informed choice during the IPE development process. The Secretary also makes it clear in the preamble quoted above that the addition of new services also would require a formal IPE amendment with signatures. In reviewing DBVI's policy on this point, DBVI would permit the purchase of additional books, bus tickets, or computer cables without an IPE amendment. This statement in DBVI's policy manual is overly broad and is not consistent with 34 CFR 361.45(d)(7) and the Department's policy on this requirement at 62 Fed. Reg. 6307, 6326 (Feb. 11, 1997). We would agree, for example, that the purchase of a computer cable that is determined necessary to finish the installation of a computer system that DBVI has just purchased for the individual would be a minor change that would not warrant an IPE amendment. On the other hand, a computer cable

that is needed to change the function of the computer, for example to hook the computer into the individual's cable TV system, would not be a minor change and would require an IPE amendment. Similarly, if DBVI has authorized on the IPE, for example, 10 books for the semester and the individual learns that an 11th book is required that semester, the addition of that book may or may not be substantial enough to warrant an IPE amendment with signatures. However, authorizing an additional semester's worth of books would be considered substantial and would require an IPE amendment with signatures. Finally, depending on the facts of the case, a change in the number of bus tickets purchased or the expected completion of the IPE may or may not be considered a substantial change. Therefore, DBVI's policy as to those situations that would not require an IPE amendment is too broad to be in compliance with 34 CFR 361.45(d)(7). Furthermore, it is unclear from the manual whether DBVI counselors obtain the individual's agreement for those changes that DBVI considers non-substantial. This, too, is inconsistent with the requirements of 34 CFR 361.45. Given DBVI's mischaracterization of what constitutes a substantial service requiring a formal IPE amendment with signature, DBVI has failed to comply with 34 CFR 361.45(d)(7).

Corrective Action 2: DBVI must:

- 2.1 submit a written assurance within 10 days of the issuance of the final monitoring report that it will comply with the requirements of 34 CFR 361.45(d)(7) by recording all program changes – except for insignificant changes as described in Departmental policy at 62 Fed. Reg. 6307, 6326 (Feb. 11, 1997) -- on an IPE amendment and obtaining signatures from both the individual and the VR counselor prior to implementing changes to the IPE. DBVI also must assure that it will obtain the individual's agreement for any changes made during the VR process regardless of whether those changes warrant an IPE amendment;
- 2.2 revise its policy on IPE amendments to ensure that all changes, except for insignificant ones, are recorded in an IPE amendment and that signatures are obtained from the individual and VR counselor prior to the implementation of those amendments. DBVI's amended policy must be consistent with the requirements of 34 CFR 361.45 and the Department's policy expressed at 62 Fed. Reg. 6307, 6326 (Feb. 11, 1997). DBVI, in particular, must ensure that the amended policy is narrowed to make it clear that the facts of the situation will determine whether an IPE amendment is necessary. Finally, the revised policy must make it clear that the individual's agreement will be obtained prior to implementing any change, regardless of whether that change warrants an IPE amendment; and
- 2.3 submit copies of the revised policy to RSA to ensure completion of this corrective action.

3. Provision of Stipends for Unpaid Work and Training Experiences

Legal Requirements:

34 CFR 361.3 states:

The Secretary makes payments to a State to assist in--

- (a) The costs of providing vocational rehabilitation services under the State plan; and
- (b) Administrative costs under the State plan.

34 CFR 361.5(b)(35) states:

Maintenance means monetary support provided to an individual for expenses, such as food, shelter, and clothing, that are in excess of the normal expenses of the individual and that are necessitated by the individual's participation in an assessment for determining eligibility and vocational rehabilitation needs or the individual's receipt of vocational rehabilitation services under an [IPE].

34 CFR 361.48 states:

As appropriate to the vocational rehabilitation needs of each individual and consistent with each individual's informed choice, the designated State unit must ensure that the following vocational rehabilitation services are available to assist the individual with a disability in preparing for, securing, retaining, or regaining an employment outcome that is consistent with the individual's strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice:

(t) Other goods and services determined necessary for the individual with a disability to achieve an employment outcome.

34 CFR 80.22(a)(1) states:

Limitation on use of funds. Grant funds may be used only for:

- (1) The allowable costs of the grantees, subgrantees and cost-type contractors, including allowable costs in the form of payments to fixed-price contractors.) to the grantee or subgrantee.

2 CFR part 225 (formerly known as OMB Circular A-87), Appendix A, paragraph C, in pertinent part, states:

C.1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

- a. Be necessary and reasonable for proper and efficient performance and administration of Federal Awards...

- 3.a. A cost is allocable to a particular cost objective if the goods and services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

Finding 3: According to DBVI's Policy and Procedure Manual in Chapter VII-A, *Financial Measures: Tuition, Fees, and Other Allowance* and Chapter IX-J, *Training Programs: Summer Work Program, and the Work Experience Training/Summer Work Agreement*, DBVI-04-129, DBVI's VR counselors are able to provide a stipend-maintenance allowance of \$4.75 per hour, as a means of support, directly to: 1) individuals for their participation in an unpaid work experience for a specified period of time for the purpose of obtaining work skills; or 2) transition-age youths for their participation in an 8-week summer work training program for the purpose of obtaining work skills. The stipend paid by DBVI is not intended to be provided as a

wage, but rather a reimbursement of expenses incurred while participating in an unpaid work experience or summer work training program.

Pursuant to 34 CFR 80.22(a)(1) of EDGAR, Federal VR funds must be used solely for allowable program purposes. The VR program requires that Title I VR funds be used solely for the provision of VR services and the administration of the VR program (34 CFR 361.3). VR services for individuals are those services, listed on the individual's IPE, that are necessary for him or her to achieve an employment outcome (34 CFR 361.48). Allowable services include assessments, trainings, evaluations, maintenance, and any other goods or services necessary for the individual to achieve an employment outcome (*Id.*). Administrative costs, on the other hand, are those expenditures incurred during the administration of the VR program (34 CFR 361.5(b)(2)). The work experience trainings provided by DBVI constitute allowable VR services in accordance with 34 CFR 361.3 and 34 CFR 361.48, so long as the relevant services are specified on the individual's IPE.

Although the underlying services – e.g., unpaid work experiences and summer work training programs -- are allowable under the VR program, the issue of paying stipends to individuals for participating in such services requires its own analysis. While the list of services outlined at 34 CFR 361.48 are not exhaustive, the regulations make it clear that the services must be those that are necessary for the individual to achieve his or her employment outcome. In this case, DBVI's policy manual states that the \$4.75 per hour stipend is intended to reimburse individuals for expenses incurred while participating in an unpaid work experience or the summer work training program. If the purpose of these payments is to reimburse individuals for excess personal expenditures incurred, DBVI is authorized to provide maintenance payments, as defined at 34 CFR 361.5(b)(35). Maintenance payments could cover excess expenditures incurred by the individual while participating in the work experience trainings or summer work training program, such as those for transportation, meals, clothing, etc. (*Id.*). To be allowable under the VR program, reimbursements for maintenance expenses must be based on the actual expenses incurred by the individual (34 CFR 361.3, 34 CFR 80.22(a)(1), and the Federal cost principles at 2 CFR part 225, Appendix A, paragraph C). Therefore, DBVI's flat fee reimbursement of \$4.75 per hour for each individual, regardless of the actual expenses incurred by that individual, is neither necessary nor reasonable and, therefore, is not allowable under the VR program as a maintenance payment (34 CFR 361.3, 34 CFR 361.5(b)(35), 34 CFR 80.22(a)(1), and the Federal cost principles at 2 CFR part 225, Appendix A). In the alternative, DBVI is permitted to provide paid work experiences for those consumers for whom it is determined a necessary service to achieve an employment outcome and is specified as such on the individual's IPE. However, DBVI's policy manual makes it clear that the affected individuals are participating in either an unpaid work experiences or the summer work training program--- not paid work experiences. Paying an individual a flat fee of \$4.75 per hour, simply for participating in a VR program, is neither necessary nor reasonable and, therefore, is not allowable under the VR program (34 CFR 361.3, 34 CFR 80.22(a)(1), and 2 CFR part 225, Appendix A, paragraph C).

Corrective Action 3: DBVI must:

- 3.1 cease providing stipends to individuals participating in unpaid work experiences or the summer work training program;

- 3.2 determine whether DBVI intends to provide maintenance payments, as defined at 34 CFR 361.5(b)(35), in accordance with 34 CFR 361.48(g) to individuals for excess expenditures incurred while participating in the VR program. If DBVI intends to do so, DBVI must ensure that the payments are only for those expenditures that would satisfy the definition of maintenance and are based on actual expenses incurred;
- 3.3 determine whether DBVI intends to provide paid work experiences for individuals for whom the service is deemed necessary to achieve an employment outcome and is specified as such on the individual's IPE. If DBVI intends to do so, it must ensure that the individual's IPE lists paid work experience as a necessary service;
- 3.4 submit a written assurance to RSA within 10 days of the issuance of the final monitoring report that it will comply with the requirements of 34 CFR 361.3, 34 CFR 361.5(b)(35), 34 CFR 361.48, 34 CFR 80.22, and the Federal cost principles at 2 CFR part 225, especially with regard to payments made to individuals;
- 3.5 revise policies, as required by 34 CFR 361.50, to ensure that maintenance allowances or stipends for paid work experiences, whichever is relevant, paid by DBVI to consumers are consistent with the requirements of 34 CFR 361.3, 34 CFR 361.5(b)(35), 34 CFR 361.48, 34 CFR 80.22(a), and 2 CFR part 225, Appendix A; and
- 3.6 submit copies of revised policies to demonstrate completion of the above corrective action.

TA and Continuing Education

This section of the chapter describes the TA provided by RSA to DBVI during the course of the review and the continuing education needs of the agency identified by its personnel and stakeholders. The TA requested by the agency to enable it to carry out the recommendations and findings set forth above is included in Appendix B of this report titled "DBVI Response."

TA Provided

During the review of the VR and SE programs, RSA provided TA to DBVI regarding:

- revisions to the agency's policy manual covering such topics as the written plans for TWE and EE, IPE amendments and provision of stipends for short-term summer work training experiences for transition-age youth and unpaid work training experiences for adults;
- use of RSA's MIS, including all program data availability, locating RSA monitoring tables, standards and indicator data, agency report cards, performing ad hoc queries of agency performance as well as performance of other agencies;
- coding of the RSA-911 form, as well as the reporting of services that are not paid for directly by the agency; and
- clarification of the agencies due process procedures and informing individuals of ineligibility determinations and case closure.

Continuing Education

During the course of the review, DBVI and stakeholder representatives, including the SRC, requested that agency personnel receive continuing education in the areas of:

- the ADA;
- due process rights and procedures;
- informed choice;
- TWE and EE;
- job development, placement and networking;
- case management system utilization;
- quality case note documentation
- SSA work incentives;
- case note documentation; and
- vocational guidance and counseling.

CHAPTER 2: IL SERVICES PROGRAM FOR OIB

Program Systems

The following sections of this chapter describe the manner in which DBVI administers and operates the IL services program for OIB, authorized pursuant to Title VII, Chapter 2, of the Act, through a variety of functions or systems, including service delivery, personnel, case and data management, QA and planning.

Program Administration and Service Delivery

VA's OIB program is a component of DBVI's RT/IL program that serves blind or individuals of all ages with approximately \$4,000,000 in state general revenue funds.

In FY 2009, the OIB program received \$790,079 in Title VII, Chapter 2 funds, \$87,787 in state matching funds and \$1,000,000 in state general revenue funds. In addition, DBVI expended \$22,415 of its \$843,621 appropriation under the *ARRA*.

OIB services are provided through DBVI's RTs and O&M instructors at six DBVI regional offices in Bristol, Fairfax, Norfolk, Richmond, Roanoke and Staunton, and at consumers' homes and communities. OIB services are also provided at the VA VRCBVI. The OIB program served 1,317 individuals in FY 2009.

The OIB services provided to the largest number of consumers in FY 2009, were peer counseling (1,316), AT aids (1,087), daily living skills training (748) communication skills services (716), vision screening and low vision evaluations (699), and treatment to prevent, correct, or modify disabling eye conditions (679).

Personnel

OIB's direct services staff consisted of 22 RTs and 12 O&M instructors in FY 2009. Direct service staff available to the OIB program decreased in FY 2009. The OIB program's staffing level was 20 full time equivalent positions in FY 2009, down from 22 FTEs in FY 2008. There were three fewer RTs and one fewer O&M instructor in the OIB program in FY 2009 than in FY 2008. Currently, there are four RT vacancies and two O&M instructor vacancies. These vacancies may remain unfilled for the near future due to a state government hiring freeze.

Data Management

At the beginning of FY 2009, DBVI's VR and IL programs adopted a new data management system for programmatic and financial information. During the transition to the new system, OIB staff have experienced several data gathering, analysis and reporting challenges, particularly in tracking OIB consumer, service provision, outcome and expenditure trends.

QA

DBVI's primary QA process consists of annual program evaluations conducted by the Rehabilitation Research and Training Center on Blindness and Low Vision at Mississippi State University. The evaluation consists of consumer satisfaction surveys, demographic analyses, case file reviews and consumer interviews. The survey reported a 94 percent overall consumer satisfaction with the OIB services and an 82 percent overall consumer satisfaction with the OIB outcomes in FY 2009.

Planning

As an ex-officio member of the SILC, the OIB program director supports the development, implementation and evaluation of the SPIL. There are no OIB-related goals or objectives in the FY 2008-2010 SPIL. The director regularly reports to the SILC about OIB program developments and achievements.

DBVI's Strategic and Service Area Plan, posted on the governor's VA Performs web site, includes the following measurable objective for the OIB program: "Ensure that 85 percent of consumers of Older Blind Grant training services report an increase in independence upon completion of their programs." VA Performs currently reports an 87 percent performance level for FY 2008.

OIB Program Performance

The following table provides data on DBVI's FY 2008 and FY 2009 OIB program performance in key areas.

Table 2.1
OIB Expenditures, Performance, and FTEs
(based on the 7-OB Annual Performance Reports)

	2008	2009
Title VII, chapter 2 expenditures	882,777	372,076
Total expenditures (including chapter 2)	956,934	482,278
Total served older individuals who are blind	1,511	1,317
Total FTEs	22.10	20.10
Total FTEs with disabilities	5.76	5.04

The number of consumers served by the OIB program declined by 12 percent between FY 2008 and FY 2009. Between FY 2006 and FY 2008, the number of consumers had declined by 34 percent (2,304 to 1,511).

OIB Program Performance Observations and Recommendations

As a result of its review activities, RSA identified the performance observations set forth below

and recommended that DBVI take specific steps to improve the agency's performance associated with each of the observations. Following each set of observations and recommendations DBVI identified whether it requests TA to carry out the recommendations.

1. OIB Consumers Served

Observation: DBVI faces several challenges in serving individuals older individuals who are older blind through the OIB program, including the increase in direct service staff vacancies and the growing number of low vision evaluations provided by private doctors receiving higher Medicare reimbursement rates. In addition, the OIB program receives few referrals from CILs and experiences challenges in terms of minority outreach. As a result, the number of OIB consumers served has declined from 2,304 in FY 2006 to 1,317 in FY 2009.

- The number of minorities served by the OIB program declined by 8.6 percent (from 256 to 234) between FY 2008 and FY 2009. The proportion of Hispanics and African-Americans receiving OIB consumers is significantly below their share of the state population. Hispanics accounted for 1.7 percent of all OIB consumers in FY 2009. Though this percentage represented a significant increase from the 0.9 percent in FY 2008, it is still below the statewide average of 7 percent. The proportion of African-Americans served was 14 percent in FY 2009, a decrease from 15 percent in FY 2008 and below the 20 percent statewide average.
- CILs accounted for only one of the OIB program's referrals reported in the 7-OB Annual Performance Report in FY 2009, and none of the referrals reported in FY 2008.
- DBVI staff members indicated that OIB contact with and knowledge of CILs were limited. Staff members also expressed an interest in expanding their collaboration with CILs, particularly in cross-referrals, housing assistance, peer counseling, financial management, individual and systems advocacy, transportation and benefits counseling.

Recommendation 1: RSA recommends that DBVI:

- 1.1 collaborate with the CILs and other local community organizations in OIB cross-referrals, minority outreach and service provision efforts;
- 1.2 sponsor statewide and/or regional opportunities for OIB and CIL representatives to learn about each other's services and approaches and identify promising areas for collaboration.

2. OIB Policies and Procedures

Observation: The RT/IL program's written policies and procedures do not fully reflect the OIB program's eligibility requirements in 34 CFR 367.5 and the capacity-building and public awareness services described in 34 CFR 367.1(b) and (c). As a result, OIB eligibility may be determined and services provided inconsistently across the Commonwealth of VA.

- The OIB program's capacity-building and public awareness activities are not included in the OIB program description or services listing in Chapter IV, section 18 of the RT/IL policies and procedures manual.

- The OIB does not have one single eligibility determination form that addresses all four required elements of OIB eligibility: age, visual impairment, the negative impact of the visual impairment on competitive employment, and the feasibility of IL goals. Specifically, the current form does not address age or impact on employment.

Recommendation 2: RSA recommends that DBVI:

- 2.1 revise the policies and procedures manual to highlight the OIB program's capacity building and public awareness services to ensure consistent provision of these services;
- 2.2 revise the OIB eligibility form to include references to applicants' age and the impact of the applicant's visual impairments on competitive employment to ensure consistent determination of consumer eligibility; and
- 2.3 provide training regarding the OIB program's capacity building/public awareness purposes and improved eligibility form to RT/IL staff and other DBVI central and regional office personnel, as appropriate.

TA

This section of the chapter describes the TA provided by RSA to DBVI during the course of the review. The TA requested by the agency to enable it to carry out the recommendations and findings set forth above is included in Appendix B of this report titled "DBVI Response."

TA Provided

During the review of the OIB program, RSA provided TA DBVI regarding:

- data collection and analysis as program planning and performance improvement tools;
- inclusion of OIB needs and program priorities in the FY 2011-2013 SPIL, including collaboration with the CILs and outreach to individuals who are deaf or deaf-blind;
- federal regulations regarding the OIB eligibility of individual who are currently employed; and
- programmatic and fiscal information to be included in the 7-OB Annual Performance Report.

CHAPTER 3: FISCAL MANAGEMENT OF DBVI VR, SE AND OIB PROGRAMS

RSA reviewed DBVI's fiscal management of the VR, SE and OIB programs. During the review process, RSA provided TA to the state agency to improve its fiscal management and identified areas for improvement. RSA reviewed the general effectiveness of the agency's cost and financial controls, internal processes for the expenditure of funds, use of appropriate accounting practices and financial management systems.

Fiscal Management

Financial Management Services provides budget administration, grants management, general accounting, financial statements, purchasing and contracts, mail services, motor fleet and central supply management. In July 2009, Accenture was awarded a system integration contract to develop a financial accounting system using Oracle's PeopleSoft software. In concert with this award, the Commonwealth purchased an Enterprise License Agreement (ELA) for components of PeopleSoft. The ELA provides the financial and human resource software licenses necessary to support Executive, Legislative and Judicial Branch agencies who are not already utilizing Oracle or PeopleSoft Enterprise Resource Planning (ERP) software.

This modernization initiative is called the Cardinal Project. The project consists of two parts. Part 1 is the delivery of a full financial application to replace the VA Department of the Treasury's current system and is scheduled for delivery in June 2011. Part 2 is the delivery of a financial application for use by the Department of Accounts (fiscal office only) in June 2012. Due to funding constraints, the Department of Accounts application will be implemented as a "base" financial system, having the same functional capability currently contained within the Commonwealth Accounting and Reporting System today. This base functionality will serve as the foundation for enterprise financial accounting systems, excluding budget development. Over time, its functional capability will be expanded to meet additional agency needs.

Modern ERP systems provide numerous benefits, including improved management, analysis, reporting and integration with existing financial systems. Implementation of any ERP presents risk, as well as rewards.

DBVI Fiscal Performance

The data in the following tables are taken from fiscal and program reports submitted by the state agencies to RSA, and speak to the overall effectiveness of the agency's fiscal management practices. Data related to the VR program matching requirements are taken from the fourth quarter of the respective fiscal year's SF-269 report. The data pertaining to the VR program maintenance of effort requirements are derived from the final SF-269 report of the fiscal year (two years prior to the fiscal year to which they are compared). Fiscal data related to VR program administration, total expenditures, and administrative cost percentages are taken from

the RSA-2. OIB program fiscal data, including the sources and amount of funding, match and carryover, are extracted from the programs' SF-269s and the RSA-7OB report.

Table 3.1
Vocational Rehabilitation Services - Fiscal Table

Virginia (B)					
Fiscal Year	2004	2005	2006	2007	2008
Grant Amount	\$7,700,299	\$7,617,841	\$7,914,434	\$8,276,446	\$8,241,791
Federal Expenditures	\$7,700,299	\$7,617,841	\$7,914,434	\$8,276,446	\$8,241,791
Required Match	\$2,084,071	\$2,061,754	\$2,142,026	\$2,240,004	\$2,230,625
Actual Match	\$2,084,071	\$2,061,754	\$2,142,026	\$2,240,004	\$2,230,625
Over (Under) Match	\$0	\$0	\$0	\$0	\$0
Carryover at 9/30 (year one)	\$325,670	\$708,213	\$647,249	\$0	\$0
Program Income	\$136,464	\$227,738	\$353,490	\$795,741	\$730,709
Maintenance of Effort (MOE)	\$1,969,070	\$2,015,017	\$2,084,071	\$2,061,754	\$2,142,026
Administrative Costs	\$1,501,620	\$1,407,526	\$1,361,286	\$1,556,954	\$1,558,292
*Total Expenditures	\$11,179,324	\$10,472,068	\$10,384,242	\$11,545,027	\$12,622,923
Percent Admin Costs to Total Expenditures	13.43%	13.44%	13.11%	13.49%	12.34%

*Includes Supported Employment Program Expenditures.

Table 3.2
Fiscal Data for DBVI for FY 2004 through FY 2008

Virginia (B)					
Fiscal Year	2004	2005	2006	2007	2008
Grant Amount	\$707,544	\$774,717	\$751,745	\$757,842	\$741,565
Federal Expenditures	\$707,544	\$774,717	\$751,745	\$757,842	\$741,565
Required Match	\$78,616	\$86,080	\$83,527	\$84,205	\$82,396
Actual Match	\$78,616	\$86,080	\$83,527	\$84,205	\$82,396
Over (Under) Match	\$0	\$0	\$0	\$0	\$0

Fiscal Management Compliance Findings and Corrective Actions

RSA identified the following compliance findings and corrective actions that DBVI is required to undertake. DBVI must develop a corrective action plan for RSA's review and approval that includes specific steps the agency will take to complete the corrective action, the timetable for completing those steps, and the methods the agency will use to evaluate whether the compliance finding has been resolved. RSA anticipates that the corrective action plan can be developed

within 45 days from the issuance of this report and RSA is available to provide TA to assist DBVI to develop the plan and undertake the corrective actions. RSA reserves the right to pursue enforcement action, including the recovery of Title I VR funds, pursuant to 34 CFR 80.43 and 34 CFR part 81 of EDGAR.

1. Periodic Certification – Staff Working Solely on VR Program

Legal Requirements:

34 CFR 361.12 states:

The State plan must assure that the State agency, and the designated State unit if applicable, employs methods of administration found necessary by the Secretary for the proper and efficient administration of the plan and for carrying out all functions for which the State is responsible under the plan and this part. These methods must include procedures to ensure accurate data collection and financial accountability.

34 CFR 80.20(a) states:

A State must exp[e]nd and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State... must be sufficient to:

- (6) Permit preparation of reports required by this part and the statutes authorizing the grant, and
- (7) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

2 CFR part 225 (formerly known as OMB Circular A-87), Appendix B, paragraph 8.h.3 requires: Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

Finding 1: DBVI is not in compliance with 2 CFR part 225, Appendix B, paragraph 8.h.3, because the agency has not conducted periodic certifications for employees working solely on one federal grant program or cost objective. In failing to comply with this requirement, DBVI is not able to ensure that the VR program is administered properly and efficiently and that all VR funds are accounted for properly, as required by 34 CFR 361.12 and 34 CFR 80.20(a).

As a recipient of VR funds, DBVI is required to administer the program properly and efficiently (34 CFR 361.12 and 34 CFR 80.20(a)). It must ensure that VR funds are properly accounted for and that accurate data are collected and reported (*Id.*). In ensuring the proper administration of the VR program and accountability of VR funds, DBVI must be able to document the time its staff spend on the VR program. Federal cost principles set forth requirements for ensuring the proper accounting of staff time, both for staff working full-time on one program and for staff

splitting their time on multiple programs. In particular, 2 CFR part 225, Appendix B, paragraph 8.h.3, requires DBVI employees or their supervisors to certify, at least semi-annually, that the employee worked solely on one grant program during the period covered by the certification. This requirement is separate from the requirement to maintain time and attendance records for all employees.

While onsite, RSA found that DBVI does not conduct semi-annual certifications for staff who work solely on one program, as required by 2 CFR part 225, Appendix B, paragraph 8.h.3. DBVI is not currently conducting any certification of staff working solely on one program. Given this failure to ensure that the staff's time is certified at least twice a year, DBVI has failed to comply with 2 CFR part 225, Appendix B, paragraph 8.h.3. In failing to comply with this certification requirement, DBVI also has failed to comply with 34 CFR 361.12 and 34 CFR 80.20(a) because DBVI cannot ensure that the VR program has been administered properly and efficiently or that VR funds have been expended solely on VR allowable personnel costs.

Corrective Action 1: DBVI must:

- 1.1 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will comply with: 1) semi-annual staff certification requirements set forth at 2 CFR part 225, Appendix B, 8.h.3; and 2) the administrative requirements of 34 CFR 361.12 and 34 CFR 80.20(a); and
- 1.2 develop procedures to ensure that, at a minimum, semi-annual certifications are completed for all employees working solely on one federal grant program, or cost objective, to comply with the requirement at 2 CFR part 225, Appendix B, paragraph 8.h.3.

TA

This section of the chapter describes the TA provided by RSA to DBVI during the course of the review. The TA requested by the agency to enable it to carry out the corrective actions set forth above is included in Appendix B of this report titled "DBVI Response."

TA Provided

To enable the agency to improve its fiscal management processes, RSA provided TA to DBVI during the review process regarding:

- RSA's assessment of the agency's compliance with specific financial requirements, including match, MOE, carryover, reallotment, program income, liquidation of outstanding obligations, and grant closeout;
- training in the basic financial requirements of RSA-funded formula grant programs, which included: RSA organizational structure, guidance and reference materials (including OMB Circulars), innovation and expansion expenditures, allotment process, match, maintenance of effort, program income, liquidation of obligations, carryover, reallotment process, procurement, property management, records retention, reversion to donor, audit requirements, and financial and statistical reports;

- completing financial reports and identifying the federal fiscal year to which expenditures should be reported;
- documentation required to support year-end non-federal expenditures and unliquidated obligations;
- requirement to report all costs incurred by the state that are allowable and allocable to the State VR Services Program to accurately determine the maintenance of effort requirement applicable to each fiscal year and compliance with this requirement;
- timing of non-federal expenditures to meet VR program match and maintenance of effort requirements;
- OMB Circular A-87 time distribution documentation requirements applicable to staff working on more than one program (federal and/or state);
- OMB Circular A-87 semi-annual certification requirement applicable to staff charging 100 percent of their salary costs to one federal grant program;
- federal requirements applicable to the timely and accurate submission of financial and statistical reports (SF-269 and RSA-2) and BRS' responsibility for the verification of reported information in each formula grant program (VR, SE, IL-Part B and OIB); and
- reallotment process and strategies for requesting and utilizing one-time federal funds made available through this process.

Issues Requiring Further Review

1. Allowable Sources of Match

Background

State VR agencies, for at least the past 24 years, have used expenditures made in allowable categories (non-vendor benefits) as part of the non-federal share of the VR program. The allowable categories are purchase of equipment, refurbishment of facilities, repair of equipment, initial stock and supplies, management services and supervision, etc. Vendor benefits consist of life insurance, health insurance, guaranteeing a fair minimum return, paid vacations, etc. The sources of funds for the expenditures made for non-vendor benefits is federal VR funds, state funds (appropriated for match for the VR program federal funds or appropriated for the Randolph-Sheppard (R-S) Business Enterprise Program), levied set-aside, and vending machine income.

Current regulations, under services to groups of individuals with disabilities, permit using VR funds for specific purposes related to the R-S program, but are silent regarding what should be reported. (34 CFR 361.49).

Generally speaking, state VR agencies (combined agencies or blind agencies) do one of the following:

1. Expend no federal VR program funds or matching funds in the R-S program, therefore, reporting no expenditures for this program on Financial Status Reports submitted for the VR program (although significant expenditures are made in allowable categories from levied set-aside or vending machine income).

2. Expend *no* federal state VR funds or matching funds in the R-S program, but selectively report (as part of the non-federal share) expenditures made in allowable categories from levied set-aside or unassigned vending machine income up to the level of expenditures needed to meet VR match or maintenance of effort requirement.
3. Expend *some* federal VR funds in the R-S program and the match for these funds, and also selectively report (as part of the non-federal share) additional expenditures made in allowable categories from levied set-aside or unassigned vending machine income up to the level of expenditures needed to meet the state VR Services Program match or maintenance of effort requirement.
4. Report only the federal funds expended for this program and the match required for the federal funds expended.

Because of the maintenance of effort requirement applicable to the VR program, states should not have the option of continuing to report (or not report) expenditures attributable to operating the R-S program in any way that allows them to meet the match and maintenance of effort requirements applicable to the VR program. From a reporting standpoint, if federal funds are used in the R-S program, the match for these funds (whether from state appropriated funds, levied set-aside or unassigned vending machine income) must be reported. To allow other options results in:

- Compliance with MOE being manipulated with states selectively reporting expenditures to meet or not raise this requirement.
- MOE penalties as a result of large projects related to the R-S program expenditures being carried out in one year and the inability of the state to maintain this level of expenditures in future years. Furthermore, states have no control over the timing of R-S program expenditures since there is no statutory or regulatory time limit governing the obligation or expenditure of these funds, and receipts and expenditures from levied set-aside and vending machine income can vary significantly from year-to-year.

Issue

DBVI is required to expend \$2,396,360 (21.3 percent) to match its FY 2009 State VR Services Program allotment of \$8,854,156. Of this amount, \$800,309.21 (33.4 percent of the total match reported) is from expenditures made from levied set-aside or unassigned vending machine income). Although the RSA-15, Report of Vending Facility Program, covering FY 2009 has not been submitted, the match required for the federal funds used in this program in this year is approximately \$99,000. By reporting \$700,000 in excess non-federal expenditures from the R-S program (that essentially didn't benefit current VR consumers), DBVI was able to draw an additional \$2,586,385 in federal funds. Not only did DBVI use this "paper match" to draw additional federal funds in FY 2009 (and other fiscal years under review), but the agency indicated that approximately \$1.7 million in expenditures made in allowable categories from levied set-side and vending machine income was potentially available to help the state meet match and maintenance of effort requirements, if necessary.

DBVI backs into its reported match each year. Essentially, no state appropriated funds are included in the budget for this program. The match is made from indirect and other

administrative expenditures, with the balance reported from R-S program expenditures. (Before RSA's onsite monitoring visit, DBVI also intended to use approximately \$900,000 in expenditures from a capital improvement project at the VRCBVI, but this will be addressed in a separate issue paper.)

PART III: REVIEW OF THE VA IL PROGRAM

EXECUTIVE SUMMARY

VA Administration of the IL Program

During FY 2010, RSA reviewed the performance of the Commonwealth of VA's IL services (SILS) program, authorized under Title VII, Part B, of the Act.

The SILS program is jointly administered by DRS and DBVI. VA's entire allotment of IL Part B funds is received, disbursed and accounted for by DRS. Both DBVI and DRS participate in the SILC and support the SPIL development, implementation and evaluation activities. The SILC consists of 16 ex-officio and voting members who currently meet the federal composition and membership requirements.

IL Program Performance over the Past Four Years

Between FY 2006 and FY 2009, the number of individuals served by DRS' IL program through contracts with non-part C CILs increased from 4,930 to 5,633.

Strengths and Challenges:

Based on the observations from the agencies and the stakeholders and other information gathered through the review process, RSA concluded that the agencies and the SILC exhibited a variety of strengths that enhanced service delivery, and experienced a number of challenges that inhibited their ability to improve the performance of the IL program.

Strengths

Several factors have contributed to the 14 percent increase in the number of consumers served through DRS' IL program between 2006 and 2009, including significant state general revenue and Social Security Reimbursement funding of IL services; DRS' ongoing TA, coordination, monitoring, QA and administrative support of IL service providers, including periodic conference calls with the DRS Commissioner; and the CILs' mutual collaboration on statewide network capacity building and expansion activities.

VA has established an approach to expand the network of CILs, particularly in unserved or underserved areas of the state. DRS provides state funds to local grassroots organizations to serve as satellite CILs. The satellite CILs are matched with a parent, or mentor CIL. The parent CIL provides mentoring and support services to the satellite CIL, including board management and resource development training, until the satellite CIL is ready to become an independent CIL. Through this approach, six independent CILs have been added to the statewide network since 1998. Currently, two more satellites CILs are ready to become independent CILs once sufficient federal and/or state funds become available.

Challenges

RSA identified opportunities for DRS and the SILC to improve their written policies and procedures safeguarding the SILC's programmatic and fiscal autonomy as well as the DSU's non-delegable responsibility to receive, account for, and disburse the federal funds in support of SPIL-related activities.

Acknowledgement

RSA wishes to express appreciation to the representatives of DRS, DBVI, the SILC, CILs, the CAP and the stakeholders who assisted the RSA monitoring team in the review of SILS program.

CHAPTER 1: IL PROGRAM

IL Program Systems

The following sections of this chapter describe the manner in which DRS and DBVI administers and operates the IL program, authorized pursuant to Title VII, Part B, of the Act through a variety of functions or systems, including service delivery, personnel, data management, QA and planning.

Program Administration and Service Delivery

DRS provides IL services through grants and contracts with CILs funded by a combination of IL Part B, state and other federal funds. In FY 2009, funding for IL services consisted of \$364,800 in Part B funds, \$630,410 in SSA reimbursements and \$4,697,777 in state general revenue funds. The IL Part B funds were utilized by the CILs to expand housing alternatives for consumers transitioning from institutions to community-based settings in support of the VA comprehensive cross-governmental strategic plan related to the Olmstead decision. In addition, DBVI has established limited fee-for-service arrangements with CILs to assist its VR consumers through the provision of specialized services such as home modifications.

The statewide network of CILs consists of six IL Part C centers, ten non-Part C centers and four state funded non-CIL service providers known as satellite centers. Satellite centers are local organizations that partner with established CILs with the purpose of becoming independent CILs when additional part C or other funds become available. The CIL network currently serves 78 of VA's 95 counties.

The CILs have formed the VA Association of CILs (VACIL) to conduct joint professional development, resource development and SPIL implementation activities. In FY 2009, VACILs received \$15,000 in IL Part B funds to provide coordination, and training support to the CILs' cross-governmental strategic plan activities.

The SILC was created by Section 51.5-25.1 of the Code of VA in 1994. This legislation also created the Statewide Independent Living Fund (SILF) within the Office of the Comptroller as the repository of grants, gifts, donations and bequests received by the SILC. In accordance with the approved SILC resource plan, the SILC's FY 2009 operating budget consisted of \$58,182 in combined IL Part B and Title I Innovation and Expansion funds for SILC administrative staff, meeting conference expenses, and staff and member training. The SILC budget also included \$7,727 in non-federal, non-state funds from the Warren G. Stambaugh Memorial Foundation, established by the VA General Assembly to support the SILC. Stambaugh Foundation funds were used for an online IL needs assessment survey.

State law precludes the SILC from receiving or disbursing federal or state funds provided under the resource plan because the SILC is neither a state agency nor a 501(c)(3) organization. DRS serves as the SILC's fiscal agent, receiving and disbursing resource plan funds at the direction of

the SILC chair and in accordance with the approved SILC budget. The SILC exercises its statutory responsibility for the proper expenditure of resource plan funds by approving expenditures, reviewing quarterly budget reports, monitoring the budget and making budget adjustments as necessary.

Personnel

DRS administers the SILS program through its Office of Community-Based Services (OCBS) whose IL director has primary responsibility for the program. DRS provides staff support to the SILC through a OCBS employee who serves as the SILC administrator and through part-time staff providing clerical support. Funding for DRS' IL staff comes primarily from the state's IL Part B matching funds.

Aside from staff, DRS supports the SILC program by providing SILC office and meeting space, professional training, video teleconferencing resources, website hosting and graphic design services.

Data Management

DRS gathers IL consumer, services and outcomes data through a web-based data management system. All but two of the CILs and non-CIL service providers have adopted the data management system and now provide IL data to DRS through this system. DRS uses the system primarily for reporting, including the required annual performance report (704 Report, Part I). DRS does not currently use the data management system for planning or performance analysis purposes.

QA

DRS ensures CILs' compliance with federal service provider requirements through its CIL policies and procedures manual; CIL contract conditions and assurances; quarterly program performance and financial status reports; and on-site programmatic/fiscal monitoring reviews. As many as four on-site reviews are conducted each year. In addition to these scheduled activities, DRS' IL director provides the CILs with continuous feedback and TA, as needed.

In FY 2008, DRS conducted a statewide consumer satisfaction survey involving the 16 CILs. A total of 10,496 consumers were surveyed by mail, of which 1,888 or 18 percent responded. Depending on the survey question, between 84 percent and 90 percent of the respondents reported satisfaction with the IL services they received.

The implementation of the SPIL is monitored and evaluated quarterly by a SILC standing committee based on a detailed planning document that tracks anticipated resources, assigned tasks and measurable outcomes for each SPIL objective.

Planning

For the FY 2011-2013 SPIL, the SILC's SPIL development subcommittee conducted an online

survey to identify IL needs throughout VA, including unserved or underserved areas of the state. As of December 2009, the SILC had received 130 responses from 36 counties and 17 major cities. In addition to the online survey, the SILC and the CILs have conducted a number of forums throughout the state. Also, the DSU and SILC elicited public comment through a statewide videoconference.

The IL program is described in the DRS strategic and service area plan, available on the governor's VA Performs web site. The plan, however, does not contain any specific targets or goals for the state's IL program.

IL Program Performance

This following table, based on the 704 Report, part I, reflects the IL services and outcomes achieved by the ten non-part C CILs that are funded by part B and state under contract with DRS. It does not include the six CILs that received funding directly from RSA under Title VII, Chapter 1, part C, of the Act.

Table 1.1
Funding, Performance, and FTEs

	2006	2007	2008	2009
Title VII, chapter 1, Part B funds	422,440	424,529	414,293	444,447
Total resources (including Part B funds)	6,037,292	6,480,743	6,435,293	6,563,303
Total Full Time Equivalents (FTE)	3.00	4.00	2.50	2.50
Total FTEs with disabilities	1.00	2.00	1.50	2.50

IL Program Performance Observations and Recommendations

As a result of its review activities, RSA identified the performance observations set forth below and recommended that DRS take specific steps to improve the agency's performance associated with each of the observations.

1. SILC Autonomy

Observation: Though the SILC's statutory independence from the DRS and other state agencies exists in practice, the SILC and DRS do not have written policies and procedures safeguarding this independence.

- DRS and SILC written policies and procedures do not reference the federal regulations regarding the SILC's statutory independence with respect to DRS and other state agencies.

- The job description for the DRS-provided SILC administrator contains the following core responsibility that appears to imply that the SILC's decision-making and monitoring responsibilities are being delegated to the DRS: "Develop SILC budget for Council approval and monitors its implementation."

Recommendation 1: RSA recommends that DRS and the SILC:

- 1.1 review and revise their respective policies and procedures, including the SILC bylaws, to include statutory and regulatory references to the SILC's independence, particularly at 34 CFR 364.21(a)(i)(j) and(l); and
- 1.2 review and revise the SILC administrator's job description, particularly the fiscal management core responsibility related to the SILC budget, to ensure that it correctly reflects the SILC's statutory responsibilities.

2. SILC Resource Plan

Observation: The SILC-approved budget document does not make the necessary distinction between the financial plan expenditures described at 34 CFR 364.42(a)(2) and the SILC resource plan expenditures described at 34 CFR 364.21.

- The financial plan, comprising the federal and non-federal funds for achieving the SPIL objectives, is subject to the DSU's non-delegable duty to receive, account for, and disburse the federal funds in support of the SPIL. The SILC, on the other hand, is responsible only for resource plan expenditures necessary to carry out its statutory functions. However, the SILC budget document contains both SPIL financial plan and SILC resource plan expenditures. In particular, under the contractual terms, the SILC budget includes the following expenditures that are proper to the SPIL financial plan, and not the SILC resource plan: \$364,800 in Part B funds to the CILs for SPIL Goal II; \$15,000 in Part B funds to the CIL Association for Goal II; \$9,000 in Part B funds for Goal III; and \$7,000 in non-federal funds for Goal I.
- The inclusion of these expenditures in the SILC budget creates the impression that SILC financial plan funds are inappropriately being administered by the SILC, though DRS is, in fact, properly administering these financial plan expenditures in compliance with 34 CFR 364.42(a)(2).

Recommendation 2: RSA recommends that DRS and the SILC revise the SILC budget documents to make the necessary distinction between the SPIL financial plan and the SILC resource plan. This may be achieved by either creating two separate budgets or a single budget with the necessary separation between the SILC resource plan and SPIL financial plan expenditures.

IL Program Compliance Findings and Corrective Actions

RSA identified the following compliance finding and corrective action that DRS is required to undertake. DRS must develop a corrective action plan for RSA's review and approval that includes specific steps the agency will take to complete the corrective action, the timetable for completing those steps, and the methods the agency will use to evaluate whether the compliance

finding has been resolved. RSA anticipates that the corrective action plan can be developed within 45 days from the issuance of this report and RSA is available to provide TA to assist DRS to develop the plan and undertake the corrective actions.

1. Service Provider Requirements

Legal Requirement: Pursuant to 34 CFR 364.41(b), “the State plan must assure that the service provider does not impose any State or local residence requirement that excludes under the plan any individual who is present in the State and who is otherwise eligible for IL services from receiving IL services.”

Pursuant to 34 CFR 364.23(b), “the State plan must also assure that, to the maximum extent feasible, the service provider makes available personnel able to communicate (1) With individuals with significant disabilities who rely on alternative modes of communication, such as manual communication, nonverbal communication devices, Braille, or audio tapes, and who apply for or receive IL services under title VII of the Act; and (2) In the native languages of individuals with significant disabilities whose English proficiency is limited and who apply for or receive IL services under title VII of the Act.”

Pursuant to 34 CFR 365.30, “the DSU shall develop, establish, and maintain written standards and procedures to be applied by service providers to assure expeditious and equitable handling of referrals and applications for IL services from individuals with significant disabilities.”

Compliance Finding 1: After reviewing DRS’ IL policies and procedures manual, CIL contract language, and its CIL monitoring review instrument, RSA determined that DRS does not include all of the IL service provider requirements. Specifically, they do not address the residency requirements in 34 CFR 364.41(b) or the staffing requirements at 34 CFR 364.23(b) in any of these documents. DRS must have some way to verify the assurance that it makes in the State plan concerning these service provider requirements, through monitoring or otherwise.

Also, while DRS’ policies and procedures require CILs to develop policies concerning applications and referrals for IL services, DRS itself has not established such standards and procedures as required by 34 CFR 365.30. DRS is required to develop, establish and maintain standards and procedures applicable to all service providers in order that the handling of referrals and applications for IL services be expeditious and equitable. CILs may supplement these standards and procedures with ones that reflect the particular circumstances of that CIL, but the DSU is responsible for setting the basic standards and procedures for all service providers.

Corrective Action 1: DRS must take corrective action to ensure that all service provider requirements outlined in 34 CFR 364.41(b), 34 CFR 364.23(b) and 34 CFR 365.30 are addressed in its policies and procedures manual, CIL contracts and/or CIL on-site monitoring review instrument, as appropriate.

2. SILC Composition

Legal Requirement:

Pursuant to 34 CFR 364.21(b)(2)(i)(B), “the SILC must include as ex officio, nonvoting members, a representative from the DSU and representatives from other State agencies that provide services to individuals with disabilities.”

Compliance Finding 2: The SILC’s current membership includes an ex-officio member from each of the Virginia’s designated state agencies, DRS and DBVI. However, DRS and DBVI are the only state agencies represented on the SILC. The SILC does not include members from any “other state agencies that provide services to individuals with disabilities,” as required by federal law.

Corrective Action 2: DRS, DBVI, and the SILC must take corrective action to ensure that the SILC includes representation from other state agencies that provide services to individuals with disabilities.

TA and Continuing Education

This section of the chapter describes the TA provided by RSA to DRS, DBVI, and the SILC during the course of the review and the continuing education needs of the agency identified by its personnel and stakeholders. The TA requested by the agency to enable it to carry out the recommendations and findings set forth above is included in Appendix C of this report titled “VA IL Response.”

TA Provided

During the review of the IL program, RSA provided TA to DRS and the SILC regarding:

- strengthening the SPIL needs assessment process through improved CIL outcomes data analysis and collaboration on VR’s CSNA; and
- improving IL services and outcomes by analyzing CIL data, establishing performance baselines, setting short-term/long-term performance goals, incorporating CIL performance goals and strategies in the FY 2011-2013 SPIL, and increasing collaboration between the IL and VR programs and among DRS, DBVI and the CILs.

Continuing Education

During the course of the review, DRS and DBVI field staff and the CILs requested expanded cross-training opportunities regarding:

- potential areas for increased IL and VR collaboration;
- differences and similarities in purposes, approaches and priorities; and
- ideas for overcoming obstacles to collaboration.

APPENDIX A: DRS RESPONSE

Part I: Responses to Observations, Recommendations, Compliance Findings or Corrective Actions and TA Needs

Chapter 1: VR/SE program Performance Observations and Recommendations

1. Individuals Served

Recommendation 1: RSA recommends that DRS:

- 1.1 Evaluate the reasons for the decline in the number of new applicants, eligibility determinations, IPEs developed and individuals receiving services with DRS and develop strategies to increase individuals requesting services and receiving services by DRS.

Agency Response to 1.1: DRS has been very pleased to see a strong upward trend regarding applications, eligibility determinations, and IPEs. In FY 2010, applicants reached an historical high of 12,750, an eight percent increase over FY 2008 and a 15 percent increase over FY 2009. There were 11,365 eligibility determinations, a 17 percent over FY 2008 and 15 percent over FY 2009. In addition, there were 8,898 IPEs developed, a 23 percent increase over FY 2008 and a 44 percent increase over FY 2009. Also during FY 2010, DRS had approximately 32,000 “cases on hand,” the highest number in many years. With that said, DRS will continue to review and evaluate means to ensure an appropriate level of consumers within our VR program.

Technical Assistance: DRS did not request technical assistance.

- 1.2 Evaluate the correlation, if any, between the high amount of resources required to maintain WWRC, the comparatively low amount of purchases and training expenditures and low number of individuals receiving services from DRS.

Agency Response to 1.2: DRS and WWRC will be participating in an upcoming strategic planning process which will allow for the evaluation of WWRC resources and service provision. Over the past couple of years, there has been service growth at WWRC. In FY 2010, 2,191 VR consumers received services at WWRC, an eight percent increase as compared to FY 2008. In addition, clients who attend WWRC, continue to have a higher rehabilitation rate than the overall rehabilitation rate for the agency. With the increase in transition aged clients with DRS, the WWRC experience is a critical element in their development of life skills and eventual vocational success. Among the issues to be considered is the comparative cost and effectiveness of WWRC services that otherwise would be provided using case services funds and improved cost accounting to better identify administrative costs at WWRC.

Technical Assistance: DRS did not request technical assistance.

1.3 Develop and implement strategies to increase the number of individuals with disabilities in VA who receive services from DRS that lead to increased quality employment outcomes.

Agency Response to 1.3: As stated above, DRS has seen strong growth in the number of applicants, clients determined eligible for services, and clients served through our program. In addition, DRS was pleased to see an upward trend in successful employment outcomes in FY 2010. During that year, there were 3,390 successful employment outcomes, which was a five and a half percent increase over FY 2009. DRS will continue to look at strategies to increase the number of individuals served and successful employment outcomes.

Technical Assistance: DRS did not request technical assistance.

2. Quality Employment Outcomes

Recommendation 2: RSA recommends that DRS:

2.1 Develop and implement measurable goals to evaluate the staff and the agency's performance, including the hourly wage, average hours worked per week, and employer-provided benefits, along with strategies to achieve these goals.

Agency Response to 2.1: Performance goals for vocational rehabilitation counselors are contained in their Employee Work Profiles (EWP). These are completed on an annual basis that coincides with the Federal Fiscal Year. Currently, the counselor EWP contains goals for the number of IPEs developed and the number of successful employment outcomes. There is an additional goal that was not reflected in RSA's Monitoring Report and is not in the EWP. On an annual basis, counselors receive extra "credit" on their performance evaluations for consumers whose earnings meet or exceed Substantial Gainful Activity, which is a quality measure. Each Field Manager has a goal for average hourly earnings for their consumers in their EWP. The average hourly earnings target is set for each Field Office and we believe that the inclusion of this goal has had a positive impact on our steady increase regarding consumer wages. DRS was very pleased to see a strong upward trend since FY 2008 regarding hourly wages, average hours worked and employer-provided benefits. For FY 2012, DRS will evaluate the appropriate measurable goals that should be included in the counselors and Field Managers EWPs.

Technical Assistance Requested: DRS may request technical assistance.

2.2 Develop and implement strategies to increase wage levels for the consumers served by the agency through the exploration of relevant training and education to increase wages and expand partnerships with employers throughout the state.

Agency Response to 2.2: Through the years, DRS has examined the wage levels of its consumers. One of the challenges faced by DRS is the impact that transition-age clients have on our average hourly earnings. Compared to other states, DRS has a high proportion of transition-age youth in its caseload. In any given year, approximately 40 percent of those served are transition-age clients. Because many of these clients are entering the workforce for the first time, they tend to have lower wages. For instance, in FY 2008, the average hourly earnings for

competitive employment outcomes for transition clients were \$8.76, well below the overall average of \$9.42. This trend has stayed consistent for FYs 2009-2010. DRS has a very strong business development program utilizing the expertise of our Business Development Managers to do outreach to potential employers and actively participate in employment networking opportunities, including leadership in the Virginia Business Leadership Network. DRS Placement Counselors also are active in seeking out new employers for our consumers. As a part of DRS' Triennial Needs Assessment process, we are exploring the feasibility of conducting employer focus groups to receive input from them regarding the hiring of qualified individuals with disabilities. In addition, DRS is focusing on the Federal Hiring Initiative for individuals with disabilities to assist our qualified consumers in securing employment with the Federal government. DRS will continue to examine its training and higher education service provision for clients who choose and can benefit from these services.

Technical Assistance: DRS did not request technical assistance.

2.3 Analyze the decline in the number of individuals who achieved employment outcomes and the employment rate to determine the reasons underlying the decline in these respective performance measures.

Agency Response to 2.3: As stated earlier, DRS is encouraged by the increase in the number of successful employment outcomes in FY 2010. While we are beginning to see a slight increase in our rehabilitation rate, we continue to be concerned that it is lower than our performance target. Accordingly, we will continue to analyze this issue and employ strategies for improvement.

Technical Assistance: DRS did not request technical assistance.

2.4 Analyze and evaluate the expenditures for employment and competitive employment outcomes and purchased services to determine how the provision of services, including education or training, can determine the quality of employment outcomes.

Agency Response to 2.4: DRS will continue to do on-going evaluation and analysis of our case service expenditures to enhance quality employment outcomes.

Technical Assistance: DRS did not request technical assistance.

2.5 Analyze how data are coded to effectively report the services provided through WWRC, DRS staff and ESOs to improve the efficiency and effectiveness of the VR program through accurate and appropriate analyses.

Agency Response to 2.5: Revisions have been made to our client data base (AWARE) reports to track "in-house" services such as job placement, rehabilitation engineering, and vocational evaluation. Information from these reports will be extremely useful in improving our service provision. In addition, with AWARE, we now have an integrated case management system that is utilized by both WWRC and our Field Offices. Therefore, for the first time we are able to conduct system-wide analyses regarding service provision and outcomes for VR clients who

attend WWRC. DRS will continue develop means to better report services provided through WWRC, DRS and ESOs.

Technical Assistance: DRS did not request technical assistance.

2.6 Implement strategies derived from the previous recommendations to increase the quality and quantity of employment outcomes for individuals with disabilities served through DRS.

Agency Response to 2.6: DRS concurs with this observation.

Technical Assistance: DRS did not request technical assistance.

3. Evaluating and Improving ESO Services

Recommendation 3: RSA recommends that DRS:

3.1 Review data and other information related to the DRS' current contracting methods to determine which method (fee-for-service or performance-based contracting) promotes greater performance and accountability of ESOs.

Agency Response to 3.1: DRS piloted the "Milestones" method of payment for Supported Employment Services from October, 2000 through October, 2002. Twelve vendors participated in the pilot. DRS Policy and Planning Unit staff conducted a program evaluation of the pilot. The evaluation results indicated that during FY 2001, the average cost of Milestone SE cases were 1.4 times the cost of the average fee for service case cost. During FY 2002, the average cost of Milestone SE cases were 1.3 times the cost of the average fee for service case cost. In addition, many DRS counselors who managed cases to vendors participating in the Milestones pilot did not like the program as they felt they had less control over the service delivery. Therefore, DRS management decided not to pursue the program any further after the initial pilot period.

Technical Assistance: DRS did not request technical assistance.

3.2 Evaluate the measures or indicators utilized to assess the performance of ESOs providing services through LTESS funding to determine which indicators would be beneficial in monitoring SE services provided through Titles I and VI Part B.

Agency Response to 3.2: DRS appreciated the observation from RSA regarding our efforts to utilize performance indicators to evaluate the outcomes of our LTESS Program. DRS will be using the LTESS performance indicators to guide the development of the new ESO "report card" discussed below.

Technical Assistance: DRS may request technical assistance.

- 3.3 Continue to pursue the development of an evaluation tool that employs common measures or indicators that assess the performance of ESOs and develop strategies to improve the accountability of ESOs regarding the quality and quantity of SE outcomes achieved;
- 3.4 provide the evaluations of ESO performance to ESOs, VR customers and counselors to improve the accountability and quality of services and employment outcomes provided by ESOs and DRS; and
- 3.5 develop and implement processes to utilize evaluation results in identifying training and TA needs of ESOs, and informing DRS contracting decisions.

Agency Response to 3.3 - 3.5: From State Fiscal Years 2004-2007, Central Office staff distributed to Field Rehabilitation Services management a spreadsheet listing the outcomes of closed cases that received supported employment services from ESOs across the state. The information included the number of cases closed successfully and unsuccessfully, the average cost of supported employment services for each kind of closure, the rehabilitation rate for each ESO and the types of disabilities served. After the agency began using the AWARE case management system and the subsequent transfer of the specialist to another position, the reports were discontinued.

Based upon a recommendation by the State Rehabilitation Council, management is committed to the concept of an ESO “report card.” A committee, consisting of members of the ESO Advisory Council as well as DRS staff, has been established in order to create such a “report card” that will be used to evaluate outcomes of the services provided to DRS consumers. The “report card” will be made available to DRS counselors and consumers in order to determine through informed choice which organizations will best meet the consumers’ needs. Results of the “report card” will be used by the agency and ESO Advisory Committee to identify training, technical assistance and service needs and gaps statewide.

Technical Assistance: DRS may request technical assistance.

4. Training on Policies and Procedures

Recommendation 4: RSA recommends that DRS:

- 4.1 Develop and implement a formal training protocol for field office supervisors to provide consistent guidance, training and interpretation of policies and procedures across field offices.

Agency Response to 4.1: DRS concurs with this recommendation and will be instituting expectations and procedures for FRS managers to provide consistent guidance, training and interpretation of VR policies and procedures to their staff.

Technical Assistance: DRS did not request technical assistance.

4.2 Develop and implement a strategy to assess staff needs for training in specific content areas and develop a training plan for and training on policies and procedures available to all staff responsible for implementation.

Agency Response to 4.2: In 2010, DRS' Training Manager conducted a training needs assessment of all VR staff. This was done to develop the department's grant proposal for the RSA In-Service Training Grant and to have a better understanding of the training needs of our staff. Information from this needs assessment as well as information garnered from FRS management, casework quality assurance reviews, external audits, etc. will be utilized to develop an annual training plan on VR policies and procedures.

Since RSA's 2009 on-site monitoring visit, policy training has included Trial Work and Extended Evaluation, Order of Selection, continuation of our New Counselor Skills Training, and the development of an IPE Guide to assist counselors with providing quality services in the development of consumers' employment plans. In addition, counselors receive one-on-one policy information resulting from their casework reviews and consultation on effective caseload management. DRS has implemented a Policy and Planning Information Bulletin (called *On PARS*) to disseminate policy information on a monthly basis. It has been well received.

Technical Assistance: DRS may request technical assistance.

4.3 Evaluate the dissemination of and participation in refresher courses to determine if staff are aware of and participating in training opportunities, as needed, within the agency and implement a system or strategy to market refresher courses and increase awareness of training opportunities for all staff.

Agency Response to 4.3: DRS believes that this observation involves the on-line "refresher training" courses established by one of DRS' Policy Analysts for new counselors. An evaluation of new counselor use of this training was conducted and the evaluation showed less than optimum use. Therefore, DRS will be evaluating whether or not to continue with these courses on DRS' new Learning Management System.

Technical Assistance: DRS did not request technical assistance.

VR/SE Program Compliance Findings and Corrective Action

1. Providing Services to Individuals Who Do Not Meet the State's OOS

Corrective Actions: DRS must:

1.1 Cease providing multiple-day evaluations and PERT services at the WWRC to eligible individuals who do not meet the State's OOS criteria, since those services do not constitute information and referral services pursuant to 34 CFR 361.37(a).

Agency Response to 1.1: During State Fiscal Year 2009, DRS data shows that 14 out of 496 VR consumers who received PERT services at the WWRC did not meet DRS' OOS criteria.

While this was a very small number (less than 3 percent), DRS is concerned that this happened because participation in PERT by clients in Delayed Status (order of selection waiting list) was inconsistent with our Order of Selection policy and law. Therefore, DRS is instituting a new procedure to ensure that this does not happen in the future. Specifically, WWRC will screen all consumers scheduled to go to WWRC for PERT services. Any consumer who is in Delayed Status will be notified that he/she cannot receive PERT services until such time that the individual's Priority Category is open for services. DRS and WWRC staff have received training on the VR policy which prohibits consumers in Delayed Status from participating in PERT services. We are investigating the feasibility of automating this policy in the AWARE system.

RSA Response: In its corrective action plan, DRS must submit policies demonstrating that multiple-day evaluations and PERT services at WWRC will not be provided to eligible individuals who do not meet Virginia's OOS criteria.

Technical Assistance: DRS did not request technical assistance.

1.2 Cease providing job search and job placement services to eligible individuals who do not meet the State's OOS criteria, because these services go beyond the scope of an information and referral system required by 34 CFR 361.37(a).

Agency Response to 1.2: DRS does not agree with RSA's finding that DRS expended "a substantial amount of staff time" to provide job search and placement services to consumers who did not meet DRS' OOS criteria. We cannot dispute that a statement of this nature was made by one or more Field Office staff during the 2009 RSA Monitoring Visit. However, we do not think that this was a systemic issue or of any substantial nature. With that said, DRS staff received training on the scope of the information and referral system required by 34 CFR 361.37(a) and the requirements for determining on a case-by-case basis the provision of limited "no cost" services for consumers in Delayed Status (order of selection waiting list). The Order of Selection policy (Chapter 2.2, Policy 2.B.3) has been revised to emphasize that any assistance provided to a consumer in Delayed Status cannot impact the counselor's ability to address referrals and applicants and provide full services to cases in service status.

RSA Response: In its corrective action plan, DRS must submit supporting documentation and revised policies demonstrating that job search and job placement services will not be provided to eligible individuals who do not meet Virginia's OOS criteria.

Technical Assistance: DRS did not request technical assistance.

1.3 Determine on a case-by-case basis whether the provision of guidance such as resume writing, job applications, and interviewing skills development, will take staff resources that are needed to provide VR services to individuals who satisfy the State's OOS criteria.

Agency Response to 1.3: As stated above, training and policy information has been provided to DRS staff to ensure that any limited "no cost" services for consumers on the OOS waiting list are

determined on a case-by-case basis such that they do not detract from staff resources to provide services to individuals who satisfy the OOS criteria.

Technical Assistance: DRS did not request technical assistance.

1.4 Submit a written assurance within 10 days of the issuance of the final monitoring report that DRS will comply with the requirements of 34 CFR 361.36(a) and 34 CFR 361.37, especially in terms of the provision of information and referral services to eligible individuals who do not satisfy the State's OOS; DRS also must assure that the expenditure of resources for these services will not reduce the amount of resources available to eligible individuals who meet the State's OOS criteria.

Agency Response to 1.4: DRS will submit a written assurance to RSA within ten days of the final monitoring report that it will comply with the requirements of 34 CFR 361.36(a) and 34 CFR 361.37.

Technical Assistance: DRS did not request technical assistance.

2. Provision of Stipends for Unpaid Work and Training Experiences

Corrective Actions: DRS must:

2.1 Cease providing stipends to individuals participating in situational assessments and unpaid work experiences, as the DRS policy manual currently permits.

Agency Response to 2.1: DRS will cease providing stipends to all individuals participating in unpaid work experiences (this has not been allowed for consumers in situational assessments). This change in policy already has been communicated to the vocational rehabilitation staff and additional guidance will follow.

RSA Response: In its corrective action plan, DRS must submit its policies demonstrating that stipends will not be provided to individuals participating in unpaid work experiences.

Technical Assistance: DRS did not request technical assistance.

2.2 Determine whether DRS intends to provide maintenance payments, as defined at 34 CFR 361.5(b)(35), in accordance with 34 CFR 361.48(g) to individuals for excess expenditures incurred while participating in the VR program. If DRS intends to do so, DRS must ensure that the payments are only for those expenditures that would satisfy the definition of maintenance and are based on actual expenses incurred, not a generalized flat fee amount.

Agency Response to 2.2: DRS will continue to provide maintenance payments, as defined by 34 CFR 361.5(b)(35) and operationalized in 34 CFR 48(g).

Technical Assistance: DRS did not request technical assistance.

2.3 Determine whether DRS intends to provide paid work experiences for individuals for whom the service is deemed necessary to achieve an employment outcome and is specified as such on the individual's IPE. If DRS intends to do so, it must ensure that the individual's IPE lists paid work experience as a necessary service for the achievement of an employment outcome.

Agency Response to 2.3: DRS will provide paid work experiences only in the form of On-the-Job Training (OJT) for individuals who will benefit from such services in terms of an employment outcome. OJT and any subsequent service or cost for the delivery of such services will be included in the individual's IPE.

Technical Assistance: DRS did not request technical assistance.

2.4 Submit a written assurance to RSA within 10 days of the issuance of the final monitoring report that it will comply with the requirements of 34 CFR 361.3, 34 CFR 361.5(b)(35), 34 CFR 361.48, 34 CFR 80.22, and the Federal cost principles at 2 CFR part 225, especially with regard to payments made to individuals.

Agency Response to 2.4: DRS will submit a written assurance to RSA within 10 days of the final monitoring report that it will comply with the requirements of 34 CFR 361.3, 34 CFR 361.5(b)(35), 34 CFR 361.48, 34 CFR 80.22 and the Federal cost principles at 2 CFR part 225.

Technical Assistance: DRS did not request technical assistance.

2.5 Revise policies as required by 34 CFR 361.50, to ensure that maintenance allowances or stipends for paid work experiences, whichever is relevant, paid by DRS to consumers are consistent with the requirements of 34 CFR 361.3, 34 CFR 361.5(b)(35), 34 CFR 361.48, 34 CFR 80.22(a), and 2 CFR part 225, Appendix A.

Agency Response to 2.5: DRS will revise its policies as applicable.

Technical Assistance: DRS did not request technical assistance.

2.6 Submit copies of revised policies to demonstrate completion of the above corrective action.

Agency Response to 2.6: DRS will submit revised policies to RSA.

Technical Assistance: DRS did not request technical assistance.

3. Failure to Report SE Outcomes Properly

Corrective Actions: DRS must:

3.1 Cease reporting individuals as having achieved a competitive employment outcome when the individual is not earning at least minimum wage.

Agency Response to 3.1: Since DRS implemented a new case management system (AWARE) in 2008, competitive employment is determined a little differently than with the previous case management system. In AWARE, the state minimum wage is set in a system parameter and at case closure it is compared to the consumer's hourly wage. That, as well as other factors such as employment work status, is used to determine whether the individual is competitively employed or not. The minimum wage parameter has been set every October 1st and not updated until the next October 1st even though Virginia's minimum wage has been changing every July. Therefore, the consumers closed between July and October were compared to an old minimum wage and their competitively employed indicator may have been set incorrectly. This situation has now been corrected and the AWARE system will not allow a client employed below minimum wage to be closed as competitively employed. Therefore, DRS will not have any further issues regarding competitive employment.

Technical Assistance: DRS did not request technical assistance.

3.2 Cease reporting individuals as having achieved an employment outcome of SE when they are not earning at least the minimum wage, or at least working toward earning at least the minimum wage.

Agency Response to 3.2: DRS will not have any future issues regarding reporting individuals as having achieved an employment outcome of SE when they are earning at least minimum wage, or at least working toward earning at least minimum wage.

Technical Assistance: DRS did not request technical assistance.

3.3 Submit a written assurance to RSA within 10 days of the issuance of the final monitoring report that DRS will: 1) report only those individuals who are earning at least minimum wage as having achieved a competitive employment outcome; 2) report only those individuals as achieving SE who are either earning at least minimum wage or who are making progress toward earning minimum wage; and 3) ensure that all individuals reported as having achieved SE are actually working toward earning at least minimum wage.

Agency Response to 3.3: DRS will submit a written assurance to RSA within 10 days of the issuance of the final monitoring report that DRS will: 1) report only those individuals who are earning at least minimum wage as having achieved a competitive employment outcome; 2) report only those individuals as achieving SE who are either earning at least minimum wage or who are making progress toward earning minimum wage; and 3) ensure that all individuals reported as having achieved SE are actually working toward earning at least minimum wage.

Technical Assistance: DRS did not request technical assistance.

3.4 Revise its policies and provide guidance to staff to make it clear that competitive employment outcomes require that the individual earn at least the minimum wage, regardless of whether those individuals are also receiving on-going supports. The policy and guidance also must make it clear that SE outcomes require that the individual, if not already making at least minimum wage, is working toward earning at least minimum wage.

Agency Response to 3.4: DRS will review its policies and make any changes that are needed. Any needed changes will be provided to RSA. In addition, DRS will continue to provide information, training and guidance to staff on competitive employment and SE outcomes.

Technical Assistance: DRS did not request technical assistance.

3.5 Submit copy of the revised policy and guidance to RSA to ensure completion of this corrective action.

Agency Response to 3.5: DRS will submit any policy changes to RSA. .

Technical Assistance: DRS did not request technical assistance.

4. SE Outcomes in Non-Integrated Settings

Corrective Actions: DRS must:

4.1 Cease closing individuals' VR cases, as having achieved an employment outcome pursuant to 34 CFR 361.56, when those individuals have been placed in non-integrated settings, as defined at 34 CFR 361.5(b)(33) for purposes of the VR program.

Agency Response to 4.1: DRS policy requires a client to be in an integrated setting in order to achieve an employment outcome. Prior to the RSA Monitoring Report, DRS had not received any stakeholder feedback that this policy was not being uniformly applied. As DRS is extremely concerned about this issue, DRS will ensure that clients closed as having achieved an employment outcome have been placed in an integrated setting in compliance with 34 CFR 361.56 and 34 CFR 361.5(b)(33).

Technical Assistance: DRS did not request technical assistance.

4.2 Submit a written assurance to RSA within 10 days of the issuance of the final monitoring report that it will only report individuals as having achieved an employment outcome, as defined at 34 CFR 361.5(b)(16), if those individuals have been placed in an integrated setting;

Agency Response to 4.2: DRS will submit a written assurance to RSA within 10 days of the issuance of the final monitoring report that it will only report individuals as having achieved an employment outcome, as defined at 34 CFR 361.5(b)(16), if those individuals have been placed in an integrated setting.

Technical Assistance: DRS did not request technical assistance.

4.3 Develop a case-by-case process, prior to closing an individual's case pursuant to 34 CFR 361.56 for having achieved an employment outcome, through which DRS assesses whether the worksite – especially those at the ESOs -- would constitute an integrated setting, in accordance with the guidance set forth at RSA TAC-06-01. In particular, DRS should assess

the level of interaction of an individual with disabilities with non-disabled persons, especially in the following three areas: within that individual's entire worksite; within that individual's work-unit; and outside of that individual's worksite, such as with customers or vendors.

Agency Response to 4.3: DRS will institute a case-by-case process, prior to closing an individual as successfully employed, to ensure that the individual is working in an integrated setting.

Technical Assistance: DRS did not request technical assistance.

4.4 Provide guidance and training to VR staff regarding the definition of integrated employment settings, in accordance with 34 CFR 361.5(b)(33), to enable staff to appropriately identify integrated employment settings and ensure that individuals are provided the same opportunity to interact with persons without disabilities as non-disabled individuals.

Agency Response to 4.4: DRS will provide guidance and training to VR staff and Employment Service Organizations regarding the definition of integrated employment settings.

Technical Assistance: DRS did not request technical assistance.

4.5 Submit a copy of any worksite analyses completed and guidance created pursuant to this corrective action to ensure completion of the corrective action.

Agency Response to 4.5: DRS will provide RSA with any worksite analyses completed and guidance created pursuant to this corrective action.

Technical Assistance: DRS did not request technical assistance.

Chapter 2: Fiscal Management of the VA VR and SE Programs

Fiscal Management Compliance Findings and Corrective Actions

1. Financial Reporting (Financial Status Report)

Corrective Action: DRS must:

- 1.1 cease submitting inaccurate SF-269s;
- 1.2 submit a written assurance to RSA within 10 days of the issuance of the Final monitoring report that DRS will submit complete and accurate SF-269s to RSA, especially with regard to the reporting of all non-Federal expenditures incurred by the agency and all program income receipts and expenditures; and
- 1.3 implement internal controls to ensure the accuracy of financial and statistical information before submission to RSA.

Agency Response: The corrective action took place in December, 2009 to update FY 2005 through 2009 SF 269 reports to reflect actual non-federal expenditures in the VR program. The submittal of the revised SF 269 reports were done in December, 2009 and all issues regarding MOE and inaccurate submittals were resolved with those revised submittals. Subsequent submissions of the SF 269 will require review and approval from the department's Grants Manager and Chief Financial Officer.

DRS will submit a written assurance to RSA within 10 days of the final monitoring report that DRS will submit complete and accurate SF-269s to RSA, especially with regard to the reporting of all non-Federal expenditures incurred by the agency and all program income receipts and expenditures; and implement internal controls to ensure the accuracy of financial and statistical information before submission to RSA. DRS has hired new leadership in its Fiscal Unit and directed that proactive compliance with fiscal requirements become routine practice.

Technical Assistance: DRS did not request technical assistance.

2. Periodic Certification-Staff Working Solely on VR Program

Corrective Action: DRS must:

- 2.1 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will comply with: 1) semi-annual staff certification requirements set forth at 2 CFR part 225, Appendix B, 8.h.3; and 2) administration requirements at 34 CFR 361.12 and 34 CFR 80.20(a); and
- 2.2 develop procedures to ensure that, at a minimum, semi-annual certifications are completed for all employees working solely on one federal grant program, or cost objective, to comply with the requirement at 2 CFR part 225, Appendix B, paragraph 8.h.3.

Agency Response: The Department implemented semi-annual certifications in December, 2009 for July, 2009 through December, 2009 when notified of the non-compliance by RSA. The certification is mailed out to supervisors that have employees working solely 100 percent on VR program activities. The supervisors certify the employees are working solely on VR activities if there are any occurrences of non-compliance, time sheets are required to be prepared as of work activities change date to properly allocate cost.

DRS will submit a written assurance to RSA within 10 days of the final monitoring report that DRS will comply with: 1) semi-annual staff certification requirements set forth at 2 CFR part 225, Appendix B, 8.h.3; and 2) administration requirements at 34 CFR 361.12 and 34 CFR 80.20(a); and develop procedures to ensure that, at a minimum, semi-annual certifications are completed for all employees working solely on one federal grant program, or cost objective, to comply with the requirement at 2 CFR part 225, Appendix B, paragraph 8.h.3.

Technical Assistance: DRS did not request technical assistance.

APPENDIX B: DBVI RESPONSE

Part II: Responses to Observations, Recommendations, Compliance Findings or Corrective Actions and TA Needs

Chapter 1: VR/SE Program Performance Observations and Recommendations

1. Utilization of VRCBVI

Recommendation 1: RSA recommends that DBVI:

1.1 Conduct focus groups with stakeholders and DBVI field staff to obtain input on service delivery needs in the community and recommendations for VRCBVI utilization.

Agency Response to 1.1: As part of the 2010-2012 comprehensive state needs assessment (CSNA), the DBVI VR program will conduct focus groups designed to address service delivery needs in the community and develop recommendations as part of the CSNA report. These focus groups will be comprised of current and former VR consumers, their families, members of the blind and deaf-blind advocacy groups, itinerant teachers of the visually impaired, other state agencies that provide services to blind, visually impaired, and deaf-blind consumers, and other interested stakeholders.

Technical Assistance: DBVI did not request technical assistance.

1.2 Evaluate VRCBVI programs and services, including its mission, purpose and role in the VR program.

Agency Response to 1.2: Since the 2009 RSA monitoring visit, DBVI has added questions regarding consumer satisfaction with Virginia Rehabilitation Center for the Blind and Vision Impaired (VRCBVI) services to the ongoing Consumer Satisfaction Surveys. These ongoing surveys provide individuals whose VR cases have been closed with an opportunity to comment on their satisfaction with VR services provided by DBVI. At the request from the DBVI State Rehabilitation Council (SRC), specific questions have been added that address consumer satisfaction with VRCBVI services. These VR Consumer Satisfaction Surveys are conducted by the VR Compliance and Customer Satisfaction Analyst. Additionally this same agency analyst has collaborated with VRCBVI staff to develop and implement a separate satisfaction survey to be presented to VRCBVI students upon completion of Center based services. Results from both of these surveys are compiled into reports that are reviewed by agency administration; the VR Consumer Satisfaction Survey is also reviewed by the SRC.

Technical Assistance: DBVI did not request technical assistance.

1.3 Use input from stakeholders and DBVI staff, and results of evaluation of VRCBVI programs and services to develop a strategic plan for VRCBVI utilization.

Agency Response to 1.3: As mentioned in the DBVI response to recommendation 1.2, portions of the VR Consumer Satisfaction Surveys include student satisfaction with VRCBVI programs.

Technical Assistance: DBVI did not request technical assistance.

1.4 Develop and implement a data management system for VRCBVI to enable tracking of services and outcomes to inform management and strategic planning efforts regarding the effective utilization of VRCBVI as a service delivery resource.

Agency Response to 1.4: DBVI is researching the capability of the AWARE system to determine whether a report can be developed that will track service outcomes for students who have participated in and/or completed evaluation and training programs at VRCBVI. If the Aware system cannot perform this function, we will utilize other avenues to track student outcomes.

Technical Assistance: DBVI did not request technical assistance.

1.5 Evaluate the number and percentage of referrals received from referral sources and identify which sources DBVI should target with respect to marketing; and

1.6 Develop and implement a marketing effort to increase the awareness of the community and individuals of DBVI and its services.

Agency Response to 1.5 and 1.6: DBVI is revitalizing our Marketing Team. This team is tasked with developing systematic approaches and tools for outreach and marketing. Our regional offices have developed outreach materials which have been distributed to the medical community from which we receive many of our referrals. They have also targeted other potential referral sources within the community to make them aware of the services that DBVI provides.

Technical Assistance: DBVI invites technical assistance on methods for increasing public awareness of its programs and services and conducting targeted marketing beyond its current efforts with limited financial resources.

2. Closures Prior to Provision of Services

Recommendation 2: RSA recommends that DBVI:

2.1 Provide a full orientation to consumers scheduled upon receipt of the referral detailing the VR process, objectives and responsibilities of both the agency and the individual.

Agency Response to 2.1: DBVI generally agrees with the recommendation that it should better orient consumers to the VR process. The agency currently has materials that are designed to accomplish this and will make efforts to consistently distribute these materials to applicants. We

continue to believe that the greater benefit to consumers is to receive this information at application when they are meeting with a qualified rehabilitation professional rather than at referral when they are dealing with administrative support staff.

Technical Assistance: DBVI did not request technical assistance.

2.2 Conduct a comprehensive analysis of the reasons individuals are exiting the system prior to the development of the IPE.

Technical Assistance: DBVI will seek technical assistance on conducting a comprehensive analysis to determine why individuals exit the VR system prior to the development and initiation of an IPE.

2.3 Develop and implement strategies based on the analysis in recommendation 2.2 to improve communication and the successful development of an IPE, and reduce the number of individuals exiting the VR program.

Agency Response to 2.3: DBVI concurs with the recommendation and will develop strategies based on the analysis mentioned above.

Technical Assistance: DBVI did not request technical assistance.

3. Employment Outcomes

Recommendation 3: RSA recommends that DBVI:

- 3.1 analyze the decline in the number of individuals who achieved employment outcomes and the employment rate to determine the reasons underlying the decline in these respective performance measures;
- 3.2 develop and implement measurable goals and strategies and put into the State Plan, to improve the agency's employment rate;
- 3.3 develop and implement goals and strategies to increase the number of individuals served who are not employed at application and achieve employment outcomes;
- 3.4 develop and implement strategies to increase wage levels for the individuals served who are not employed at application; and
- 3.5 explore relevant training and education to increase wages, and expand relationships with employers throughout the state.

Agency Response: For recommendations 3.1 to 3.5 DBVI concurs that more analysis is needed. Since the November 2009 RSA Monitoring visit, DBVI has been making concerted efforts to educate staff and consumers of employment opportunities through the federal government and private industry. These efforts have included broad participation of VR Counselors, Regional Managers, and DBVI headquarter staff in the Council of State Administrators for Vocational Rehabilitation- CSAVR/RSA National Employment Conference in 2010. Additionally, the DBVI VR Director ensures that VR Counselors and Regional Managers are informed of employment and networking opportunities made available through the CSAVR Net which

includes regular e-mail postings for federal, state, and private opportunities. DBVI VR staffs are actively participating in employment networking opportunities in conjunction with other state agencies and federal partners. We have established a DBVI Job Leads shared site where Counselors can post information on job openings. We are re-establishing a relationship with the Virginia Business Leadership Network in an effort to increase our contact with potential employers.

Technical Assistance: DBVI did not request technical assistance.

4. Evaluating and Improving ESO Services

Recommendation 4: RSA recommends that DBVI:

- 4.1 develop an evaluation tool to include common measurable goals by which the agency can measure the performance of ESOs, as a group or individually, in terms of the timeliness of services and the number and quality of employment outcomes achieved;
- 4.2 share that evaluation information with VR counselors, consumers, and ESOs; and
- 4.3 use the evaluation information to improve the quality of services and employment outcomes provided by ESOs and identify training and TA needs of ESO staff.

Agency Response: DBVI concurs that an evaluation to include common measurable goals to measure the performance of Employment Service Organizations (ESOs) is a good idea. Subsequently, the VR Director will collaborate with the DBVI VR Compliance and Consumer Satisfaction Analyst to develop a brief survey regarding evaluations and improvements to Community Rehabilitation Program-CRP/ESOs that will be sent to other Designated State Units across the nation in an effort to determine how other states evaluate CRP/ESO services. Administrative staff will be attending a training session in April 2011 developed by the Region III TACE Center related to the evaluation of ESO's.

Based on the information generated above, we concur with recommendations 4.2 and 4.3 that data should be shared with all stakeholders and used to improve the services and employment outcomes of customers that utilize ESO's.

Technical Assistance: DBVI will seek technical assistance from both the TACE Center and the Social Security Administration. Recognizing that the Department of Rehabilitative Services (DRS) also received recommendations regarding the evaluation of and improvement to CRP/ESO services, DBVI will collaborate with DRS to determine appropriate methods to evaluate said services.

5. Contracts with ESOs

Recommendation 5: RSA recommends that DBVI develop and implement strategies that include performance-based contracting, to improve the accountability of ESOs for the number and quality of employment outcomes achieved.

Technical Assistance: DBVI concurs with this recommendation and will be seeking technical assistance from the TACE Center and the Social Security Administration as identified in recommendation 4.

6. Training on Policies and Procedures

Recommendation 6: RSA recommends that DBVI:

- 6.1 develop and implement a plan for training its staff on policies and procedures for all staff involved in policy interpretation and implementation;
- 6.2 develop and implement a training protocol for field supervisors to utilize with field staff to ensure consistent provision of training across the Commonwealth;
- 6.3 develop and implement a new counselor training including staff development, policies, procedures, the Act, DBVI's service delivery system, and determine the frequency with which the program will be offered and location of the program; and
- 6.4 assess staff training needs, evaluate DBVI's resources and develop refresher trainings and opportunities for VR specific staff trainings for staff.

Agency Response: DBVI generally agrees with the recommendations in 6.1 through 6.4. DBVI presently provides new counselor training utilizing both the DRS New Counselor Training program and training implemented through the Regional Manager at the local office level. DBVI does recognize that a more formalized and uniform method of training on DBVI VR policies and procedures would likely impact the ability of the agency to consistently interpret and apply these policies and procedures at the state and local level.

DBVI administration will direct the VR Director, Regional Managers and VR Compliance Analyst who monitors the In Service Training Grant to develop and implement training and training materials for new and existing VR staff. Training materials will include but not be limited to areas addressed in RSA recommendations.

Technical Assistance: DBVI did not request technical assistance.

7. Implementation of the New Case Management System

Recommendation 7: RSA recommends that DBVI:

- 7.1 Assess the level of staff proficiency with the new system and use the results to determine the design, objectives and population for system retraining.

Agency Response to 7.1: DBVI recognizes that employees need to be as competent as possible in using the AWARE case management system to insure that their time is used wisely and that they can extract information to analyze the effective provision of services. DBVI implemented the AWARE case management system on October 1, 2008. Pre-implementation training was provided during June, July, and August of 2008 in addition to hands-on training with the AWARE system in the training and testing environment 12 months prior to the pre-implementation training. Training continues to be provided with each release change and

addition of new staff. Documentation of changes and training materials are provided on a regular basis.

Technical Assistance: DBVI did not request technical assistance.

7.2 Enable staff to utilize the system's report developer capability in order to enhance capacity of individuals to use data and inform case management decisions.

Agency Response to 7.2: Since the November 2009 RSA Monitoring visit, DBVI has begun to use the AWARE system's report development modules. DBVI Administrators and Regional Managers at the local level of service delivery use reports generated through AWARE to monitor budgets and case services. All staff using the AWARE case management system have the ability to work with reports within the system. Due to the reporting limits within the AWARE case management system DBVI provides monthly case management reports that are developed and posted outside of AWARE. Reports are developed and posted as needed.

7.3 make system modifications to enable staff to have remote system access through web-based protocols.

Technical Assistance: DBVI did not request technical assistance.

7.3 make system modifications to enable staff to have remote system access through web-based protocols.

Agency Response to 7.3: DBVI has not yet implemented Local AWARE. This is the feature which allows a user of the case management system to do limited casework off-line and to upload the completed work to the system at a later time. DBVI has delayed the implementation of Local Aware due to issues related to new releases of the software. The implementation of Local Aware is impacted by the limited personnel resources dedicated to the administration of the case management system. We anticipate that the Bristol regional office will pilot use of Local AWARE within the coming year.

Technical Assistance: DBVI did not request technical assistance.

VR/SE Program Compliance Findings and Corrective Actions

1. Improper Utilization of IPE for Extended Evaluations (EE) and Trial Work Experiences (TWE) Plans

Corrective Action 1: DBVI must:

1.1 Cease using IPEs as the written plans, required during a TWE or EE, for individuals who have not yet been determined eligible for VR services.

Agency Response to 1.1: Via use of the AWARE system, DBVI already has clearly delineated plans for Extended Evaluations and Trial Work Plans; these plans are not IPE's nor are they labeled as such. In addition DBVI will identify and cease use of outdated IPE templates that

staff may be using as written plans for EE or TW and will review with all staff regarding how to use the EE and TW process through the AWARE case management system by May, 2011.

Technical Assistance: DBVI did not request technical assistance.

1.2 Submit a written assurance to RSA within 10 days of the issuance of the final monitoring report that DBVI will comply with the requirements of 34 CFR 361.42(e) and (f) and 34 CFR 361.45(a), especially with regard to developing written plans during the provision of TWE and/or EE services for individuals who have not yet been determined eligible for VR services.

Agency Response to 1.2: DBVI will comply with requirements of 34 CFR 361.42(e) and (f) and 34 CFR 361.45(a) especially with regard to developing written plans during the provision of Trial Work and Extended Evaluation services.

Technical Assistance: DBVI did not request technical assistance.

1.3 Amend its policy on planning for VR Services and the Development of the IPE, and the documentation requirements in Chapter 2 of the VR Manual to ensure that IPEs are only developed for those individuals who have been determined eligible for VR services.

Agency Response to 1.3: DBVI will revise Chapter 2 of the VR Policies and Procedures manual to ensure that IPEs will only be implemented when individuals have been determined eligible for VR services.

Technical Assistance: DBVI did not request technical assistance.

1.4 Develop and implement policies and procedures pertaining to written plans specific to TWE and EE periods.

Agency Response to 1.4: DBVI will revise VR Program Policies and Procedures regarding the use of EE and TW. These revisions will include guidance in the VR manual section on eligibility determination and in other sections of the manual referencing the use of EE and TW experiences and development of written plans for each. In order to ensure consistency of interpretation of the revised policies and procedures, DBVI will conduct an in-service training via video-conferencing. Additionally, VR field staff will be informed of revisions to the VR manual through the use of a DBVI Policies and Procedures Directive (PPD).

Technical Assistance: DBVI did not request technical assistance.

1.5 Submit copies of the policies and procedures to RSA to ensure completion of this corrective action.

Agency Response to 1.5: DBVI will submit copies of the revised DBVI VR Manual policies and procedures to RSA to ensure completion of this corrective action.

Technical Assistance: DBVI did not request technical assistance.

2. Signatures Not Obtained for All IPE Amendments

Corrective Action 2: DBVI must:

- 2.1 Submit a written assurance within 10 days of the issuance of the final monitoring report that it will comply with the requirements of 34 CFR 361.45(d)(7) by recording all program changes – except for insignificant changes as described in Departmental policy at 62 Fed. Reg. 6307, 6326 (Feb. 11, 1997) -- on an IPE amendment and obtaining signatures from both the individual and the VR counselor prior to implementing changes to the IPE. DBVI also must assure that it will obtain the individual's agreement for any changes made during the VR process regardless of whether those changes warrant an IPE amendment.

Agency Response to 2.1: DBVI will submit written assurance to RSA within 10 days of the issuance of the final monitoring report that the Agency will be in compliance with 34 CFR 361.45(d)(7). VDBVI will advise consumers and attain agreement for any changes made during the VR process regardless of whether those changes warrant an IPE amendment. Vocational rehabilitation counselors will be required to document consumer agreement with changes not rising to the level of IPE amendments in the case notes.

Technical Assistance: DBVI did not request technical assistance.

- 2.2 Revise its policy on IPE amendments to ensure that all changes, except for insignificant ones, are recorded in an IPE amendment and that signatures are obtained from the individual and VR counselor prior to the implementation of those amendments. DBVI's amended policy must be consistent with the requirements of 34 CFR 361.45 and the Department's policy expressed at 62 Fed. Reg. 6307, 6326 (Feb. 11, 1997). DBVI, in particular, must ensure that the amended policy is narrowed to make it clear that the facts of the situation will determine whether an IPE amendment is necessary. Finally, the revised policy must make it clear that the individual's agreement will be obtained prior to implementing any change, regardless of whether that change warrants an IPE amendment.

Agency Response to 2.2: Chapter VI of the VR Policies and Procedures Manual pertaining to Planning for Services already indicates that *"IPEs must be signed by the customer and counselor to indicate agreement. Additionally, customer and counselor signatures must appear on all substantial amendments. Substantial amendments to IPEs are described as those which change the direction of a customer's case progress and require measures and review of measures. Substantial amendments must be signed by the counselor and customer."* The agency will develop clearer policy guidance pertaining to the requirement that individuals receiving services must be included in the planning and implementation of any changes to their IPEs. DBVI will further clarify and amend VR policy regarding the difference between substantial and non-substantial amendments to IPE's. DBVI will train counselors to consider changes in service providers as substantial revisions which require an IPE amendment signed by the counselor and consumer.

Technical Assistance: DBVI did not request technical assistance.

2.3 Submit copies of the revised policy to RSA to ensure completion of this corrective action.

Agency Response to 2.3: DBVI will submit copies of revised VR Policy to RSA to ensure completion of this corrective action.

Technical Assistance: DBVI did not request technical assistance.

3. Provision of Stipends for Unpaid Work and Training Experiences

Corrective Action 3: DBVI must:

3.1 Cease providing stipends to individuals participating in unpaid work experiences or the summer work training program.

Agency Response to 3.1: DBVI will cease providing stipends to all individuals participating in unpaid work experiences or in the summer work training program; the DBVI VR Director has already communicated the cessation of stipends to Regional Managers via teleconference on February 10, 2011. Additional guidance has been provided to DBVI field staff via memorandum.

Technical Assistance: DBVI did not request technical assistance.

3.2 Determine whether DBVI intends to provide maintenance payments, as defined at 34 CFR 361.5(b)(35), in accordance with 34 CFR 361.48(g) to individuals for excess expenditures incurred while participating in the VR program. If DBVI intends to do so, DBVI must ensure that the payments are only for those expenditures that would satisfy the definition of maintenance and are based on actual expenses incurred.

Agency Response to 3.2: DBVI will continue to provide maintenance payments, as defined by 34 CFR 361.5(b) (35) and operationalized in 34 CFR.48 (g).

Technical Assistance: DBVI did not request technical assistance.

3.3 Determine whether DBVI intends to provide paid work experiences for individuals for whom the service is deemed necessary to achieve an employment outcome and is specified as such on the individual's IPE. If DBVI intends to do so, it must ensure that the individual's IPE lists paid work experience as a necessary service.

Agency Response to 3.3: DBVI will provide paid work experiences only in the form of On-the-Job Training for individuals who will benefit from such services in terms of an employment outcome. On-the-Job Training and any subsequent service or cost for the delivery of such services will be included on the individual's IPE.

Technical Assistance: DBVI did not request technical assistance.

3.4 Submit a written assurance to RSA within 10 days of the issuance of the final monitoring report that it will comply with the requirements of 34 CFR 361.3, 34 CFR 361.5(b)(35), 34 CFR 361.48, 34 CFR 80.22, and the Federal cost principles at 2 CFR part 225, especially with regard to payments made to individuals.

Agency Response to 3.4: DBVI will provide written assurance to RSA within 10 days of the final monitoring report that it will comply with the federal regulations identified in the monitoring report, especially with regard to payments made to individuals receiving services.

Technical Assistance: DBVI did not request technical assistance.

3.5 Revise policies, as required by 34 CFR 361.50, to ensure that maintenance allowances or stipends for paid work experiences, whichever is relevant, paid by DBVI to consumers are consistent with the requirements of 34 CFR 361.3, 34 CFR 361.5(b)(35), 34 CFR 361.48, 34 CFR 80.22(a), and 2 CFR part 225, Appendix A.

Agency Response to 3.5: DBVI will revise VR policies and procedures related to payment of maintenance and/or wages paid through on-the-job training to individuals for paid work, whichever is relevant, in accordance with the federal regulations identified in the monitoring report under this section.

Technical Assistance: DBVI did not request technical assistance.

3.6 Submit copies of revised policies to demonstrate completion of the above corrective action.

Agency Response to 3.6: DBVI will submit revised policies to RSA in order to demonstrate completion of the corrective action.

Technical Assistance: DBVI did not request technical assistance.

Chapter 2: IL Services for OIB

1. OIB Consumers Served

Recommendation 1: RSA recommends that DBVI:

1.1 Collaborate with the CILs and other local community organizations in OIB cross-referrals, minority outreach and service provision efforts.

Agency Response to 1.1: DBVI will review its collaborative relationships and referral process with Centers for Independent Living (CIL), and increase outreach activities to minority groups, faith based organizations and senior service providers at both the local and statewide level. DBVI will provide training to its local intake staff to enhance the referral process and properly code the referral source in AWARE by asking, "Who referred you?" during the intake meeting/phone call. The OBG Program Director currently has several outreach presentations scheduled with local senior centers; and will meet with the Virginia Association of Centers for

Independent Living (VACIL) during their March 2011 conference call.

Technical Assistance: DBVI did not request technical assistance.

1.2 Sponsor statewide and/or regional opportunities for OIB and CIL representatives to learn about each other's services and approaches and identify promising areas for collaboration.

Agency Response to 1.2: DBVI will review its collaborative relationships with the CILs and increase outreach activities to the Virginia network of 16 CILs both at the local and statewide level. The DBVI Older Blind Grant (OBG) Program Director plans to address VACIL during their monthly conference call and provide information about DBVI OBG services and how CILs may directly refer individuals for OBG services.

Technical Assistance: DBVI did not request technical assistance.

2. OIB Policies and Procedures

Recommendation 2: RSA recommends that DBVI:

2.1 Revise the policies and procedures manual to highlight the OIB program's capacity building and public awareness services to ensure consistent provision of these services.

Agency Response to 2.1: DBVI will enhance the RT/IL manual to highlight the OIB program's capacity building and public awareness services.

Technical Assistance: DBVI did not request technical assistance.

2.2 Revise the OIB eligibility form to include references to applicants' age and the impact of the applicant's visual impairments on competitive employment to ensure consistent determination of consumer eligibility.

Agency Response to 2.2: DBVI will expand/update the OBG eligibility form to include all specific criteria related to the OBG/OIB program as it is in policy.

Technical Assistance: DBVI did not request technical assistance.

2.3 Provide training regarding the OIB program's capacity building/public awareness purposes and improved eligibility form to RT/IL staff and other DBVI central and regional office personnel, as appropriate.

Agency Response to 2.3: Training will be provided to all appropriate staff about the capacity building/public awareness purposes of the OBG program, and about how to use the expanded OBG eligibility form and where it is located.

Technical Assistance: DBVI did not request technical assistance.

Chapter 3: Fiscal management of the VR, SE and OIB programs

1. Periodic Certification – Staff Working Solely on VR Program

Corrective Action 1: DBVI must:

- 1.1 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will comply with: 1) semi-annual staff certification requirements set forth at 2 CFR part 225, Appendix B, 8.h.3; and 2) the administrative requirements of 34 CFR 361.12 and 34 CFR 80.20(a); and
- 1.2 develop procedures to ensure that, at a minimum, semi-annual certifications are completed for all employees working solely on one federal grant program, or cost objective, to comply with the requirement at 2 CFR part 225, Appendix B, paragraph 8.h.3.

Agency Response: DBVI concurs with the finding. DBVI implemented semi-annual certifications in December 2009 upon learning of the non-compliance issue from RSA. The December 2009 certification covered the period of July 2009 through December 2009 and has reoccurred at six month intervals since. The certification is mailed to supervisors of employees working solely (100 percent) on VR program activities. The supervisors certify the employees are working solely on VR activities. If there are any discrepancies, time sheets are required to be prepared as of the date of the change of activities to properly allocate cost.

Technical Assistance: DBVI did not request technical assistance.

APPENDIX C: VA IL RESPONSE

Part III: Responses to Observations, Recommendations, Compliance Findings or Corrective Actions and TA Needs

Chapter 1: IL Program Performance Observations and Recommendations

1. SILC Autonomy

Recommendation 1: RSA recommends that DRS and the SILC:

- 1.1 review and revise their respective policies and procedures, including the SILC bylaws, to include statutory and regulatory references to the SILC's independence, particularly at 34 CFR 364.21(a)(i)(j) and(l).

Agency Response to 1.1: The SILC has reviewed its official documents and will monitor all future documents for statutory and regulatory references. In August 2010, a cooperative agreement was developed and signed by the two Commissioners of Virginia's DSUs and the Chairperson of the SILC. The agreement affirms the autonomy and independence of the SILC, and clarifies the financial and programmatic contributions of each DSU with respect to the SILC and statewide independent living services.

The bylaws of the SILC are currently under review by the Council, with an anticipated implementation date of late April, 2011. In the revised version of the bylaws, a statement has been added to reference 34 CFR 364.21(a)(i)(j) and(l).

Technical Assistance: DBVI did not request technical assistance.

- 1.2 review and revise the SILC administrator's job description, particularly the fiscal management core responsibility related to the SILC budget, to ensure that it correctly reflects the SILC's statutory responsibilities.

Agency Response to 1.2: The EWP for the SILC administrator's position was revised in January 2011, as recommended, and will be reviewed each year corresponding with the performance evaluation cycle, pursuant to state human resources policy. Recommendations from RSA have been incorporated and will be adhered to.

Technical Assistance: DBVI did not request technical assistance.

2. SILC Resource Plan

Recommendation 2: RSA recommends that DRS and the SILC revise the SILC budget documents to make the necessary distinction between the SPIL financial plan and the SILC resource plan. This may be achieved by either creating two separate budgets or a single budget

with the necessary separation between the SILC resource plan and SPIL financial plan expenditures.

Agency Response: Beginning in FY 2011, the SILC budget documents were modified as recommended. The SILC now utilizes a single budget that is separated into two parts: the SILC Resource Development/Operational Budget and SPIL Financial Plan/Programmatic Budget.

Technical Assistance: DBVI did not request technical assistance.

IL Program Compliance Findings and Corrective Actions

1. Service Provider Requirements

Corrective Action 1: DRS must take corrective action to ensure that all service provider requirements outlined in 34 CFR 364.41(b), 34 CFR 364.23(b) and 34 CFR 365.30 are addressed in its policies and procedures manual, CIL contracts and/or CIL on-site monitoring review instrument, as appropriate.

Agency Response: Service provider requirements outlined in 34 CFR 364.41(b), 34 CFR 364.23(b) and 34 CFR 365.30 will be added to grant/contract renewal documents as of July, 2011 and will be placed in the updated CIL Policies and Procedures Manual.

RSA Response: In its corrective action plan, DRS must submit its revised grant/contract renewal documents and CIL Policies and Procedures Manual. Also, RSA requests that the corrective action plan indicate whether DRS plans to add the service provider requirements in its CIL on-site monitoring review instrument.

Technical Assistance: DBVI did not request technical assistance.

2. SILC Composition

Corrective Action 2: DRS, DBVI, and the SILC must take corrective action to ensure that the SILC includes representation from other state agencies that provide services to individuals with disabilities.

Agency Response: As SILC members are selected through gubernatorial appointments, the SILC will inform the Secretary of the Commonwealth about this requirement and work to ensure that representatives from other state agencies are appointed to the SILC. The SILC, however, is proactively addressing recruitment of new members who are knowledgeable about the philosophy of IL and the IL services delivery system. In addition, the SILC actively collaborates with other state agencies, such as the Department of Housing and Community Development, and routinely invites various representatives to quarterly meetings. However, the SILC and their DSU partners are cognizant of the fact that a balanced SILC is important and do not want over-proportion the SILC composition with state agency staff.

RSA Response: In its corrective action plan, DRS must include its specific steps and timelines to ensure SILC representation from other state agencies that provide services to individuals with disabilities.

Technical Assistance: DBVI did not request technical assistance.

APPENDIX D: EXPLANATIONS OF DATA TABLES

VR and SE Program Highlights

- Total funds expended on VR and SE – RSA-2 line 1.4
- Individuals whose cases were closed with employment outcomes - RSA-113 line D1
- Individuals whose cases were closed without employment outcomes - RSA-113 line D2
- Total number of individuals whose cases were closed after receiving services – RSA-113 line D1+D2
- Employment rate – RSA-113 line D1 divided by sum of RSA-113 line D1+D2, multiplied by 100
- Individuals whose cases were closed with SE outcomes – Total number of individuals whose employment status at closure (record position 161) = 7 in the RSA-911 report
- New applicants per million state population – RSA-113 line A2 divided by the result of the estimated state population divided by 1 million. The estimated state population is found on the following website: <http://www.census.gov/popest/states/NST-ann-est.html>
- Average cost per employment outcome – Sum of individuals' cost of purchased services from the RSA-911 (record position 104-109) for individuals who achieved an employment outcome (record position 198 = 3) divided by the total number of these individuals
- Average cost per unsuccessful employment outcome – Sum of individuals' cost of purchased services from the RSA-911 (record position 104-109) for individuals who did not achieve an employment outcome (record position 198 = 4) divided by the total number of these individuals
- Average hourly earnings for competitive employment outcomes - Sum of individuals' weekly earnings at closure (record position 163-166) divided by the total hours worked in a week at closure (record position 167-168) for individuals where weekly earnings at closure > 0, where the type of closure (record position 198) = 3, and where competitive employment (record position 162) = 1
- Average state hourly earnings – Using the most relevant available data from the Bureau of Labor Statistics Report (<http://www.bls.gov>), state average annual earnings divided by 2,080 hours

- Percent average hourly earnings for competitive employment outcomes to state average hourly earnings – Average hourly earnings for competitive employment outcomes (above) divided by the Average state hourly earnings (above) multiplied by 100
- Average hours worked per week for competitive employment outcomes - Average hours worked in a week at closure (record position 167-168) for individuals where weekly earnings at closure (record position 163-166) > 0 and where the type of closure (record position 198) = 3 and competitive employment (record position 162) = 1
- Percent of transition-age served to total served – Total number of individuals whose age at application is 14-24 and whose type of closure (record position 198) is 3 or 4 divided by all individuals of any age whose type of closure (record position 198) is 3 or 4
- Employment rate for transition population served – Total number of individuals whose age at application is 14-24 and whose type of closure (record position 198) = 3 divided by the number of individuals whose age at application is 14-24 and whose type of closure (record position 198) is 3 or 4 multiplied, the result of which is multiplied by 100
- Average time between application and closure (in months) for individuals with competitive employment outcomes - Average of individuals date of closure (record position 201-208) minus date of application (record position 15-22) in months where type of closure (record position 198) = 3 and competitive employment (record position 162) = 1
- Standard 1 – To achieve successful performance on Evaluation Standard 1 the DSU must meet or exceed the performance levels established for four of the six performance indicators in the evaluation standard, including meeting or exceeding the performance levels for two of the three primary indicators (Performance Indicators 1.3, 1.4, and 1.5).
- Standard 2 – To achieve successful performance on Evaluation Standard 2, the DSU must meet or exceed the performance level established for Performance Indicator 2.1 (.80) or if a DSU's performance does not meet or exceed the performance level required for Performance Indicator 2.1, or if fewer than 100 individuals from a minority population have exited the VR program during the reporting period, the DSU must describe the policies it has adopted or will adopt and the steps it has taken or will take to ensure that individuals with disabilities from minority backgrounds have equal access to VR services.

IL Program Highlights (From RSA 704 report)

- Title VII, Chapter 1, Part B Funds – Subpart I, Administrative Data, Section A, Item 1(A)
- Total Resources (including Part B funds) – Subpart I, Administrative Data, Section A, Item 4
- Total Served - Subpart II, Number and Types of Individuals with Significant Disabilities Receiving Services, Section A(3)

- Total Consumer Service Records Closed - Subpart II, Number and Types of Individuals with Significant Disabilities Receiving Services, Section B(6)
- Cases Closed - Completed All Goals - Subpart II, Number and Types of Individuals with Significant Disabilities Receiving Services, Section B(4)
- Total Goals Set - Subpart III, Section B, Item 1, sum of (A) + (B) + (C) + (D) + (E) + (F) + (G) + (H) + (I) + (J) + (K) + (L)
- Total Goals Met - Subpart III, Section B, Item 1, sum of (A) + (B) + (C) + (D) + (E) + (F) + (G) + (H) + (I) + (J) + (K) + (L)
- Total individuals accessing previously unavailable transportation, health care, and assistive technology - Subpart III, Section B, Item 2, sum of (A) + (B) + (C)
- Total FTEs - Subpart I, Section F, sum of Item 2 for the column
- Total FTEs with Disabilities - Subpart I, Section F, sum of Item 2 for the column

OIB Program Highlights (From RSA 7-OB Form)

- Title VII, Chapter 2, Expenditures - part I-Sources and Amounts of Funding, (A)(1)
- Total Expenditures (including Chapter 2) - part I-Sources and Amounts of Funding, (A)(6)
- Total Served Older Individuals who are Blind - part III-Data on Individuals Served During This Fiscal Year, (B)-Gender, sum of (1) + (2)
- Total FTEs - part II-Staffing, sum of (1) + (2) + (3) + (4) for the column
- Total FTEs with Disabilities - part II-Staffing, sum of (1) + (2) + (3) + (4) for the column

APPENDIX E: EXPLANATIONS APPLICABLE TO FISCAL PROFILE TABLES

Grant Amount:

The amounts shown represent the final award for each fiscal year, and reflect any adjustments for MOE penalties, reductions for grant funds voluntarily relinquished through the reallocation process, or additional grant funds received through the reallocation process.

Match (Non-Federal Expenditures):

The non-federal share of expenditures in the Basic Support Program, other than for the construction of a facility related to a community rehabilitation program, was established in the 1992 amendments to the Act at 21.3 percent. As such, a *minimum* of 21.3 percent of the total allowable program costs charged to each year's grant must come from non-federal expenditures from allowable sources as defined in program and administrative regulations governing the VR Program. (34 CFR 361.60(a) and (b); 34 CFR 80.24)

In reviewing compliance with this requirement, RSA examined the appropriateness of the sources of funds used as match in the VR program, the amount of funds used as match from appropriate sources, and the projected amount of state appropriated funds available for match in each federal fiscal year. RSA also reviewed the accuracy of expenditure information previously reported in financial and program reports submitted to RSA.

Carryover:

Federal funds appropriated for a FY remain available for obligation in the succeeding fiscal year only to the extent that the VR agency met the matching requirement for those federal funds by September 30 of the year of appropriation (34 CFR 361.64(b)). Either expending or obligating the non-federal share of program expenditures by this deadline may meet this carryover requirement.

In reviewing compliance with the carryover requirement, RSA examined documentation supporting expenditure and unliquidated obligation information previously reported to RSA to substantiate the extent to which the state was entitled to use any federal funds remaining at the end of the FY for which the funds were appropriated.

Program Income:

Program income means gross income received by the state that is directly generated by an activity supported under a federal grant program. Sources of state VR program income include, but are not limited to, payments from the SSA for rehabilitating Social Security beneficiaries, payments received from workers' compensation funds, fees for services to defray part or all of

the costs of services provided to particular individuals, and income generated by a state-operated community rehabilitation program. Program income earned (received) in one FY can be carried over and obligated in the following FY regardless of whether the agency carries over federal grant funds. Grantees may also transfer program income received from the SSA for rehabilitating SSA beneficiaries to other formula programs funded under the Act to expand services under these programs.

In reviewing program income, RSA analyzed the total amount (as compared to the total percentage of income earned by all VR agencies and comparable/like VR agencies), sources and use of generated income.

Maintenance of Effort (MOE):

The 1992 amendments revised the requirements in section 111(a)(2)(B)(ii) of the Act with respect to maintenance of effort provisions. Effective federal FY 1993 and each federal FY thereafter, the maintenance of effort level is based on state expenditures under the title I State Plan from non-federal sources for the federal FY two years earlier. States must meet this prior year expenditure level to avoid monetary sanctions outlined in 34 CFR 361.62(a)(1). The match and maintenance of effort requirements are two separate requirements. Each must be met by the state.

In reviewing compliance with this requirement, RSA examined documentation supporting fiscal year-end and final non-federal expenditures previously reported for each grant year.

Administrative Costs:

Administrative costs means expenditures incurred in the performance of administrative functions including expenses related to program planning, development, monitoring and evaluation. Details related to expenditures that should be classified as administrative costs are found in VR Program regulations at 34 CFR 361.5(b)(2).